

SCHOOL DISTRICT

OF

KNOWLTON TOWNSHIP

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

Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2021

Annual Comprehensive

Financial Report

of the

Knowlton Township School District

Board of Education

Knowlton, New Jersey

For the Fiscal Year Ending June 30, 2021

Prepared by

Knowlton Township School District

Board of Education

Finance Department

OUTLINE OF ACFR

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Introductory Section

KNOWLTON TOWNSHIP
BOARD OF EDUCATION

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

Jeannine DeFalco
Superintendent

Michael Brennan
Business Administrator

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

Dear Board Members:

The comprehensive annual financial report of the Knowlton Township School District (the "District") for the fiscal year ended June 30, 2021, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes Management's Discussion and Analysis basic financial statements and supplementary schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi- year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget UniForm Guidance, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter NJOMB 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' reports on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

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

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

These educational services include regular and special education programs. The District completed the 2020-2021 fiscal year with an enrollment of 150 students, which is a decrease of 9 students from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2020-2021	150	(5.66%)
2019-2020	159	(7.02%)
2018-2019	171	(8.06%)
2017-2018	186	(4.12%)
2016-2017	194	(3.48%)
2015-2016	201	(12.23%)
2014-2015	229	(5.76%)
2013-2014	243	(1.62%)
2012-2013	247	(8.52 %)
2011-2012	270	(1.46%)

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

There has been no appreciable change in the growth of business/industry in Knowlton Township. Other than Chick-fil-a and Starbucks, there are few new "name" businesses.

3) MAJOR INITIATIVES:

The District continues to look for opportunities for shared services. We currently share a School Psychologist with Allamuchy and we coordinate with a World Language teacher from Blairstown for services. Our cluster schools examine cost sharing opportunities throughout the school year.

A Return to School Plan Committee was formed prior to the 2020-2021 school year and tasked with developing our district plan in collaboration with the Knowlton Township Board of Education, KTES staff and parent input. The elements contained within the plan represent the input of these stakeholders with the goal of keeping students and staff safe while returning to school. With safety as the main priority, the Committee determined that the created plan was the best way forward within the guidelines given to keep our school community safe and was revisited throughout the year based on the latest health and state mandates.

The District is committed to enhancing and improving technology within the school as necessary. Students are 1:1 with either an iPad or Chromebook, depending on grade level. In order to meet the needs of virtual learning in the 20-21 school year, hot spots were provided to families/staff and

teachers gained access to Zoom and additional platforms. A variety of educational technology tools have been added to our toolbox here at Knowlton which allow our student learning experiences to be further enriched and prepare them for all future pathways.

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

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2021.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is

organized on the basis of funds. These funds are explained in "Notes to Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: As of June 30, 2021, the District did not have outstanding debt issues.

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

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

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related Federal OMB Uniform Guidance and State Treasury Circular Letter NJOMB 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully Submitted:

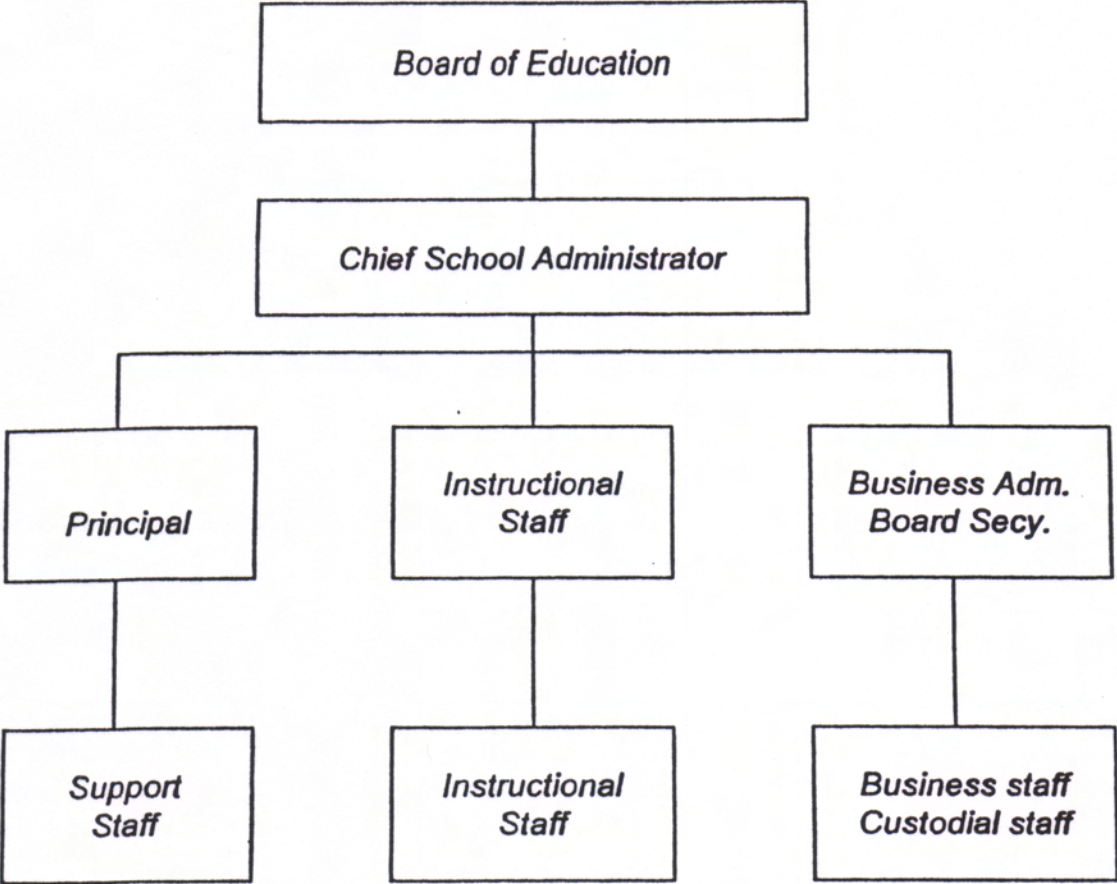


Jeannine DeFalco
Superintendent



Michael Brennan, MBA
Business Administrator

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



**KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2021

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Tammy Smith, <i>President</i>	2023
Don Biery, <i>Vice-President</i>	2022
Matthew Baley	2022
Dawn Bates	2023
Ali Stiehl	2022
Ronni Wittreich	2024
Rhonda Moritz	2023
 <u>Other Officials</u>	
Jeannine DeFalco, <i>Superintendent</i>	
Michael Brennan, <i>School Business Administrator/Board Secretary</i>	
Randy Wilson, <i>Treasurer</i>	

**KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Architect

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

Audit Firm

Ardito & Company LLC
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Weiner Law Group
629 Parsippany Road
Parsippany, New Jersey 07054

Official Depository

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

Financial Section

Independent Auditor's Report



ARDITO & COMPANY LLC

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

-Continued-

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

-Continued-

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 26, 2022, on our consideration of the Knowlton Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.

Ardito & Company LLC

ARDITO & COMPANY LLC

January 26, 2022

Anthony Ardito

Anthony Ardito

Licensed Public School Accountant No. 2369

Required Supplementary Information - Part I

Management's Discussion and Analysis

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

The discussion and analysis of Knowlton Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- ◆ In total, Net Position increased \$84,899 which represents a 2.3% increase from 2020.
- ◆ General revenues accounted for \$2,938,642 in revenue or 51.9% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,723,920 or 48.1% of total revenues of \$5,662,562.
- ◆ Total assets of governmental activities increased by \$70,793, as cash and cash equivalents increased by \$216,986, receivables increased by \$34,529, and capital assets decreased by \$177,470.
- ◆ The School District had \$5,577,663 in expenses; only \$2,723,920 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,938,642 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,847,847 in revenues and \$4,635,418 in expenditures. The General Fund's surplus balance increased \$212,429 over 2020, which compares favorably to the budgeted decrease of \$391,491.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2021 compared to 2020.

**Table 1
Net Position**

	<u>2021</u>	<u>2020</u>
Assets		
Current and Other Assets	\$ 2,696,688	\$ 2,448,425
Capital Assets	<u>2,110,488</u>	<u>2,287,958</u>
Total Assets	<u>4,807,176</u>	<u>4,736,383</u>
Deferred Outflows of Resources	<u>128,629</u>	<u>193,778</u>
Liabilities		
Long-Term Liabilities	686,111	762,648
Other Liabilities	<u>167,280</u>	<u>131,442</u>
Total Liabilities	<u>853,391</u>	<u>894,090</u>
Deferred Inflows of Resources	<u>367,130</u>	<u>405,687</u>
Net Position		
Invested in Capital Assets, Net of Debt	2,110,488	2,287,958
Restricted	2,367,325	2,050,727
Unrestricted	<u>(762,530)</u>	<u>(708,301)</u>
Total Net Position	<u>\$ 3,715,283</u>	<u>\$ 3,630,384</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

Total assets of governmental activities increased by \$70,793, as cash and cash equivalents increased by \$216,986, receivables increased by \$34,529, and capital assets decreased by \$177,470.

The cash increase was mainly due operational efficiency towards budget, receivables increased due to the collection of federal grants in the subsequent year, and the decrease in capital assets was due to depreciation expenses.

Table 2 shows the changes in Net Position from fiscal year 2020.

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 13,016	\$ 18,626
Operating Grants and Contributions	2,710,904	2,309,124
General Revenues:		
Property Taxes	2,906,072	2,849,090
Federal & State Aid on Capital Asset Projects		
Investment Earnings	7,370	22,090
Other	<u>25,200</u>	<u>88,675</u>
Total Revenues	<u>5,662,562</u>	<u>5,287,605</u>
Program Expenses		
Instruction	3,433,006	3,193,683
Support Services:		
Tuition	-	-
Pupils and Instructional Staff	838,611	810,123
General Administration, School Administration, Business	640,845	563,218
Operations and Maintenance of Facilities	424,865	385,125
Pupil Transportation	189,735	182,431
Business-Type Activities	44,567	40,459
Interest and Fiscal Charges	<u>6,034</u>	<u>6,034</u>
Total Expenses	<u>5,577,663</u>	<u>5,181,073</u>
Increase in Net Position	<u>\$ 84,899</u>	<u>\$ 106,532</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 51.3% percent of revenues for governmental activities for the KnowltonTownship School District for the fiscal year 2021.

Instruction comprises 61.5% of district expenses. Support services expenses make up 37.5% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2020. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2021</u>	<u>Net Cost of Services 2021</u>	<u>Total Cost of Services 2020</u>	<u>Net Cost of Services 2020</u>
Instruction	\$ 3,433,006	\$ 1,519,485	\$ 3,193,683	\$ 1,545,340
Support Services:				
Tuition	-	-	-	-
Pupils and Instructional Staff	838,611	585,036	810,123	603,291
General Admin., School Admin., Business	640,845	245,612	563,218	228,549
Operation and Maintenance of Facilities	424,865	320,856	385,125	297,054
Pupil Transportation	189,735	174,840	182,431	169,818
Business-Type Activities	44,567	1,880	40,459	3,237
Interest and Fiscal Charges	6,034	6,034	6,034	6,034
Total Expenses	<u>\$ 5,577,663</u>	<u>\$ 2,853,743</u>	<u>\$ 5,181,073</u>	<u>\$ 2,853,323</u>

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

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

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 44.3% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 63.3%. The community, as a whole, is the primary support for the KnowltonTownship School District.

The School District's Funds

Information about the School District's major funds starts on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$4,960,964 and expenditures of \$4,746,670. The General Fund's surplus balance increased \$212,429 over 2020, which compares favorably to the budgeted decrease of \$391,491.

General Fund Budgeting Highlights

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

During the course of the fiscal 2021 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$3,942,647, \$32,138 over original budgeted estimates of \$3,910,509. This difference was due primarily to the receipt of non budgeted miscellaneous revenues.

General fund revenues exceeded expenditures by \$189,809. Again this surplus compares to a budgeted deficit of \$391,491, which was due to the budgeted use of surplus needed to balance the 2020-2021 budget. The budgeted deficit was reduced due to miscellaneous revenue increases and cost savings in the areas of instruction and benefits.

Overall general fund balance (budget basis) was \$2,604,613, and amounts ear-marked and reserved for future purposes were \$2,353,613, creating a surplus in unreserved fund balance of \$251,000. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

Capital Assets

At the end of the fiscal year 2021, the School District had \$2,110,488 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2021 balances compared to 2020.

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

	<u>2021</u>	<u>2020</u>
Land	\$ 366	\$ 366
Land Improvements	733	811
Buildings and Improvements	1,965,632	2,101,050
Machinery and Equipment	<u>143,757</u>	<u>185,731</u>
Totals	<u>\$ 2,110,488</u>	<u>\$ 2,287,958</u>

Overall capital assets decreased \$177,470 from fiscal year 2020 to fiscal year 2021. The decrease in capital assets was due to depreciation expense for the year.

Capital improvements of \$00 were purchased during fiscal year 2021.

Debt Administration

At June 30, 2021, the School District had \$115,252 as outstanding long term debt. Of this amount, \$115,252 is for compensated absences.

At June 30, 2021, the School District's overall legal debt margin was \$7,989,228 and the unvoted debt margin was the same.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED

For the Future

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

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

Contacting the School District's Financial Management

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

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2021

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,146,077	\$ 4,436	\$ 1,150,513
Receivables from Other Governments	51,269	2,754	54,023
Other Receivables	3,075		3,075
Interfund Receivables		3,464	3,464
Inventory		3,634	3,634
Restricted Assets:			
Capital Reserve Account - Cash	1,481,979		1,481,979
Capital Assets, Net (Note 6):	2,110,488		2,110,488
Total Assets	<u>4,792,888</u>	<u>14,288</u>	<u>4,807,176</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>128,629</u>		<u>128,629</u>
LIABILITIES			
Interfund Payables	3,464		3,464
Payroll Deductions and Withholdings Payable	129,262		129,262
Unemployment Compensation Claims Payable	4,331		4,331
Unearned Revenue	25,037	2,945	27,982
Net Pension Liability (Note 8)	570,859		570,859
Noncurrent Liabilities (Note 7):			
Due Within One Year	-		-
Due Beyond One Year	115,252		115,252
Total Liabilities	<u>848,205</u>	<u>5,186</u>	<u>853,391</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>367,130</u>		<u>367,130</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,110,488		2,110,488
Restricted for:			
Other Purposes	2,367,325		2,367,325
Unrestricted	(771,631)	9,101	(762,530)
Total Net Position	<u>\$ 3,706,182</u>	<u>\$ 9,101</u>	<u>\$ 3,715,283</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 2,430,391		\$ 1,269,181		\$ (1,161,210)	\$ (1,161,210)
Special Education	731,916		428,875		(303,041)	(303,041)
Other Special Instruction	270,699		215,465		(55,234)	(55,234)
Support Services:						
Tuition	-				-	-
Student & Instruction Related Services	838,611	\$ 12,965	240,610		(585,036)	(585,036)
School Administrative Services	132,798		141,760		8,962	8,962
General and Business Admin. Services	508,047		253,473		(254,574)	(254,574)
Plant Operations and Maintenance	424,865		104,009		(320,856)	(320,856)
Pupil Transportation	189,735		14,895		(174,840)	(174,840)
Unallocated Depreciation	6,034				(6,034)	(6,034)
Total Governmental Activities	5,533,096	12,965	2,668,268		(2,851,863)	(2,851,863)
Business-Type Activities:						
Food Service	44,567	\$ 51	42,636		\$ (1,880)	(1,880)
Total Business-Type Activities	44,567	51	42,636		(1,880)	(1,880)
Total Primary Government	\$ 5,577,663	\$ 13,016	\$ 2,710,904		\$ (2,851,863)	\$ (1,880) \$ (2,853,743)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 2,906,072		\$ 2,906,072
Interest Income				7,370		7,370
Miscellaneous Income				25,190	10	25,200
Total General Revenues, Special Items, Extraor. Items and Transfers				2,938,632	10	2,938,642
Change in Net Position				86,769	(1,870)	84,899
Net Position—Beginning				3,553,716	10,971	3,564,687
Prior Period Adjustments (See Note 19)				65,697		65,697
Net Position—Beginning (Restated)				3,619,413	10,971	3,630,384
Net Position—Ending				\$ 3,706,182	\$ 9,101	\$ 3,715,283

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

FUND FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,585,394	\$ 42,662		\$ 2,628,056
Interfund Receivable	55,087	1,358	\$ 55,087	111,532
Other Accounts Receivables	3,075			3,075
Receivables from Other Governments	1,000	50,269		51,269
TOTAL ASSETS	\$ 2,644,556	\$ 94,289	\$ 55,087	\$ 2,793,932
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$ 4,822	\$ 55,087	\$ 55,087	\$ 114,996
Payroll Deductions and Withholdings Payable	129,262			129,262
Unemployment Compensation Claims Payable	4,331			4,331
Deferred Revenue	1,829	23,208		25,037
Total Liabilities	140,244	78,295	55,087	273,626
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	1,481,979			1,481,979
Excess Surplus	426,224			426,224
Excess Surplus-Designated for Subsequent Year's Expend.	361,560			361,560
Unemployment Compensation Student Activities	51,568	15,994		51,568
				15,994
<u>Assigned to:</u>				
Year-End Encumbrances	2,282			2,282
General Fund-Designated for Subsequent Year's Expend.	30,000			30,000
<u>Unassigned:</u>				
General Fund-Undesignated	150,699			150,699
Total Fund Balances	2,504,312	15,994	-	2,520,306
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,644,556	\$ 94,289	\$ 55,087	\$ 2,793,932

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,709,653 and the accumulated depreciation is \$3,599,165.

\$ 2,110,488

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

128,629

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

(367,130)

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

(570,859)

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

(115,252)

Net position of governmental activities

\$ 3,706,182

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Tax Levy	\$ 2,906,072		\$ 2,906,072
Miscellaneous	32,560	\$ 12,965	45,525
Total - Local Sources	<u>2,938,632</u>	<u>12,965</u>	<u>2,951,597</u>
State Sources	1,909,215	-	1,909,215
Federal Sources		100,152	100,152
Total Revenues	<u>4,847,847</u>	<u>113,117</u>	<u>4,960,964</u>
EXPENDITURES			
Current:			
Regular Instruction	1,222,274	28,091	1,250,365
Special Education Instruction	338,288		338,288
Other Special Instruction	87,208		87,208
Support services and undistributed costs:			
Tuition	-		-
Student and Instruction Related Services	593,137	66,492	659,629
School Administrative Services	9,589		9,589
Other Administrative Services	283,669		283,669
Plant Operations and Maintenance	335,936		335,936
Pupil Transportation	177,050		177,050
Unallocated Benefits	1,493,926		1,493,926
Transfer to Charter School	84,140		84,140
Debt Service:			
Principal			-
Interest and Other Charges			-
Capital Outlay	10,201	16,669	26,870
Total Expenditures	<u>4,635,418</u>	<u>111,252</u>	<u>4,746,670</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>212,429</u>	<u>1,865</u>	<u>214,294</u>
Fund Balance—July 1	2,240,315		2,240,315
Prior Period Adjustment-See Note 19	51,568	14,129	65,697
Fund Balance—July 1 (Restated)	<u>2,291,883</u>	<u>14,129</u>	<u>2,306,012</u>
Fund Balance—June 30	<u>\$ 2,504,312</u>	<u>\$ 15,994</u>	<u>\$ 2,520,306</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Total Net Change in Fund Balances - Governmental Funds (from B-2) **\$ 214,294**

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

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

	Depreciation Expense	\$ (177,470)	
	Capital Outlays	<u> -</u>	(177,470)

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

57,542

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

(7,597)

Change in Net Position of Governmental Activities **\$ 86,769**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2021

		<u>Business-Type Activities- Enterprise Funds</u>	
		<u>Food Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 4,436	\$ 4,436
Accounts Receivable - Federal		2,632	2,632
Accounts Receivable - State		122	122
Interfund Receivables		3,464	3,464
Inventories		3,634	3,634
Total Current Assets		<u>14,288</u>	<u>14,288</u>
Total Assets		<u>\$ 14,288</u>	<u>\$ 14,288</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		2,241	2,241
Deferred Revenue		2,945	2,945
Total Current Liabilities		<u>5,186</u>	<u>2,945</u>
Total Liabilities		<u>\$ 5,186</u>	<u>\$ 2,945</u>
NET POSITION			
Unrestricted		\$ 9,101	\$ 9,101
Total Net Position		<u><u>\$ 9,101</u></u>	<u><u>\$ 9,101</u></u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities-	
	Enterprise Fund	
	Food	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 51	\$ 51
Daily Sales - Non-Reimb Programs	-	-
Miscellaneous	10	10
Total Operating Revenues	61	61
Operating Expenses:		
Cost of Sales - Reimbursable Programs	17,800	17,800
Cost of Sales - Non-reimbursable Programs	-	-
Salaries	9,967	9,967
Employee Benefits	3,012	3,012
Supplies	1,450	1,450
Other Purchased Professional Services	8,260	8,260
COVID Emergency Costs	1,354	1,354
Miscellaneous	2,724	2,724
Total Operating Expenses	44,567	44,567
Operating Income (Loss)	(44,506)	(44,506)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,364	1,364
Federal Sources:		
National School Lunch Program	27,498	27,498
National School Breakfast Program	9,628	9,628
Food Distribution Program	4,146	4,146
Total Nonoperating Revenues (Expenses)	42,636	42,636
Income (Loss) Before Contributions and Transfers	(1,870)	(1,870)
Transfers In (Out)	-	-
Change in Net Position	(1,870)	(1,870)
Total Net Position—Beginning	10,971	10,971
Total Net Position—Ending	\$ 9,101	\$ 9,101

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2021

	Business-Type Activities- Enterprise Funds	
	<u>Food Service</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 51	\$ 51
Payments to Employees	(9,967)	(9,967)
Payments for Employee Benefits	(3,012)	(3,012)
Payments to Suppliers	(25,756)	(25,756)
Net Cash Provided by (used for) Operating Activities	(38,684)	(38,684)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,249	1,249
Federal Sources	35,164	35,164
Operating Subsidies and Transfers to Other Funds	4,281	4,281
Net Cash Provided by (used for) Non-Capital Financing Activities	40,694	40,694
Net Increase (Decrease) in Cash and Cash Equivalents	2,010	2,010
Balances—Beginning of Year	2,426	2,426
Balances—End of Year	\$ 4,436	\$ 4,436
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (44,506)	\$ (44,506)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	4,146	4,146
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventories	(1,028)	(1,028)
Increase (Decrease) in Accounts Payable	2,704	2,704
Total Adjustments	5,822	5,822
Net Cash Provided by (used for) Operating Activities	\$ (38,684)	\$ (38,684)

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

Notes to Financial Statements

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the ACFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, GASB No. 68, Accounting for Pensions, an amendment of GASB No. 27, GASB No. 75, Accounting for OPEB, and GASB No. 84, Fiduciary Activities. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2020.

A. Reporting Entity:

The Knowlton Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Knowlton Township School District had an approximate enrollment at June 30, 2021, of 150 students.

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus-Basis of Accounting

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

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

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

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

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2021 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations:

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

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2021, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2021, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>
Checking Accounts	\$ 1,150,513
Checking Accounts-Capital Reserve	<u>1,481,979</u>
	<u>\$ 2,632,492</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2021, was \$2,632,492 and the bank balance was \$2,710,509. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,460,509 was covered by collateral pool.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3: RECEIVABLES

Receivables at June 30, 2021, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$1,000	\$1,122
Federal Aid	50,269	52,901
Other Local	3,075	3,075
Gross Receivable	<u>54,344</u>	<u>57,098</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$54,344</u></u>	<u><u>\$57,098</u></u>

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2021, consisted of the following:

Food	\$322
Supplies	<u>3,312</u>
	<u><u>\$3,634</u></u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 366			\$ 366
Total Capital Assets Not Being Depreciated	366			366
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	53,950			53,950
Buildings and Building Improvements	4,951,556			4,951,556
Machinery and Equipment	703,781			703,781
Total at Historical Cost	5,709,287	-		5,709,287
Less Accumulated Depreciation for:				
Land Improvements	(53,139)	\$ (78)		(53,217)
Building and Improvements	(2,850,506)	(135,418)		(2,985,924)
Equipment	(518,050)	(41,974)		(560,024)
Total Accumulated Depreciation	(3,421,695)	(177,470)		(3,599,165)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	2,287,592	(177,470)		2,110,122
Government Activity Capital Assets, Net	\$ 2,287,958	\$ (177,470)		\$ 2,110,488

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 100,981
Special Education Instruction	28,395
Student/Instruction Related Services	30,702
General Administrative Services	8,519
School Administrative Services	2,485
Maintenance/Custodial	355
Unallocated	6,033
Total	<u>\$ 177,470</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

	Balance <u>7/1/20</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/21</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$ 107,655	\$ 17,297	\$ (9,700)	\$ 115,252	
Total	\$ 107,655	\$ 17,297	\$ (9,700)	\$ 115,252	-

Compensated absences have been liquidated in the General Fund.

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

NOTE 8: PENSION PLANS

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$12,103,824 as measured on June 30, 2020 and \$11,881,367 measured on June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$752,667 and revenue of \$752,667 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2021 is based upon changes in the collective net pension liability with a measurement period of June 30, 2019 through June 30, 2020. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2019 and June 30, 2020.

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

	<u>6/30/2019</u>	<u>6/30/2020</u>
Collective deferred outflows of resources	\$10,077,460,797	\$9,589,140,982
Collective deferred inflows of resources	\$17,525,379,167	\$14,409,361,877
Collective net pension liability (Nonemployer-State of New Jersey)	\$61,370,943,870	\$65,848,796,740
State's portion of the net pension liability that was associated with the district	\$11,881,367	\$12,103,824
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.019360%	0.018381%

Actuarial assumptions - The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.45%
Therafter	2.75-5.65%
Investment Rate of Return:	7.00%

KNOWLTON TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.0% at June 30, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	7.71%
Non-US devel.markets equit	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yeild	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
US Treasuries	5.00%	1.94%
Risk mitigation	3.00%	3.40%

Discount rate - The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. 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 2.21% as of June 30, 2020 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 based on 78% of the actuarially determined contributions for the State. 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 2062.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's net pension liability to changes in the discount rate - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. The following presents the State's net pension liability measured as of June 30, 2020, calculated using the discount rate shown above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.40%)</u>	<u>(5.40%)</u>	<u>(6.40%)</u>
State's Collective Net Pension Liability	\$ 77,517,093,055	\$ 65,993,498,688	\$ 56,425,087,777

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>. The plan fiduciary net position as of June 30, 2020 was \$21,529,179,998.

Amortization of Deferred Outflows and Inflows of Resources - Amount reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in the state's pension expense as follows:

	<u>Year Ended June 30:</u>
2021	(\$262,056,928)
2022	(188,358,995)
2023	(774,174,971)
2024	(1,939,112,462)
2025	(1,466,451,639)
Thereafter	<u>(335,285,618)</u>
Total	<u>(\$4,965,440,613)</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2020 are as follows:

Service cost	\$1,643,902,335
Interest on total ension liability	4,680,942,056
Benefit Changes	(16,738,469)
Member contributions	(867,037,595)
Administrative expens	13,511,148
Expected investment return net of investment expenses	(1,525,370,804)
Pension expense related to specific liabilities of individual employers	4,749,837
Recognition (amortization) of deferred inflows/outflows:	
Differences between expected and actual experience	177,152,462
Changes in assumptions	(394,786,992)
Difference between projected and actual investment earnings on pension plan investments	<u>387,432,792</u>
Total pension expense	<u>\$4,103,756,770</u>

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

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

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

At June 30, 2021, the District reported a liability of \$570,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2019 valuation was determined by an experience study for the period July 1, 2014 to June 30, 2018. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2020 and 2019. At June 30, 2020, the District's proportion was 0.0035% which was a decrease of 0.00013% from its proportion measured as of June 30, 2019.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

For the year ended June 30, 2021, the District recognized pension expense of (\$16,475). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 10,394	\$ 2,019
Changes of assumptions	18,519	239,024
Net difference between projected and actual earnings on pension plan investments	19,512	-
Changes in proportion and differences between District contributions and proportionate share of contributions	41,909	126,087
District contributions subsequent to the measurement date	38,295	
Total	<u>\$ 128,629</u>	<u>\$ 367,130</u>

\$38,295 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2021, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net pension liability measured as of June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2021	(\$102,938)
2022	(93,848)
2023	(53,632)
2024	(21,688)
2025	<u>(4,691)</u>
Total	<u>(\$276,796)</u>

	<u>6/30/2019</u>	<u>6/30/2020</u>
Collective deferred outflows of resources	\$3,149,522,616	\$2,347,583,337
Collective deferred inflows of resources	7,645,087,574	7,849,949,467
Collective net pension liability (Non State - Local Group)	\$18,018,482,972	\$16,307,384,832
District's portion of net pension liability	\$654,993	\$570,859
District's proportion %	0.00363512%	0.00350062%

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

Actuarial assumptions - The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00%-6.00% based on years of service
Therafter	3.00%-7.00% based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	7.71%
Non-US devel.markets equit	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yeild	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
US Treasuries	5.00%	1.94%
Risk mitigation	3.00%	3.40%

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

Discount rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability measured as of June 30, 2020, calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$ 718,616	\$570,859	\$ 445,483

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2020 are as follows:

Service cost	(\$32,572)
Interest on total Pension liability	(106,131)
Benefit Changes	728
Member contributions	23,152
Administrative expens	(554)
Expected investment return net of investment expenses	62,478
Pension expense related to specific liabilities of individual employers	290
Recognition (amortization) of deferred inflows/outflows:	0
Differences between expected and actual experience	(7,483)
Changes in assumptions	55,120
Difference between projected and actual investment earnings on pension plan investments	<u>(11,502)</u>
Total pension expense	<u>(\$16,475)</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8: PENSION PLANS (Continued)

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

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

Three-Year Trend Information for PERS

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2021	\$38,295	100 %	-0-
6/30/2020	\$35,522	100	-0-
6/30/2019	\$34,574	100	-0-

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

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2021	\$561,559	100 %	-0-
6/30/2020	\$410,647	100	-0-
6/30/2019	\$389,097	100	-0-

During the fiscal year ended June 30, 2021, the State of New Jersey did contribute \$737,469 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$145,111 during the year ended June 30, 2021, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 9: POST-RETIREMENT BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefit for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPES plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Total Nonemployer OPEB Liability

The State, a nonemployer 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 LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA 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 board of education.

Actuarial assumptions and other imputes The June 30, 2021 GASB 75 reporting is based on a measurement date of June 30, 2020. The total nonemployer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 - June 30, 2018, for TPAF and PERS, respectively. 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%
Salary Increases Through 2026:	1.55-4.45% TPAF 2.00-6.00% PERS Based on service years
Salary Increases Thereafter:	1.55-4.45% TPAF 3.00-7.00% PERS Based on service years

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 9: POST-RETIREMENT BENEFITS-(Continued)

Discount rate (2020)	2.21%
Discount rate (2019)	3.50%
Healthcare cost trend rates (PPO Plans)	5.6% decreasing to 4.5% after seven years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.6% decreasing to 4.5% after seven years
Healthcare cost trend rates (Prescription Drug Benefits)	7.0% decreasing to 4.5% after seven years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	4.50%
Retirees' share of benefit related Costs	Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage

The discount rate for June 30, 2020 and 2019 was 2.21% and 3.50%, respectively. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality-table with fully generational mortality improvement projections from the central year using Scale MP-2020.

Changes in the Total OPEB Liability reported by the State of New Jersey

	<u>Total OPEB Liability</u>
The State's Total OPEB Liability Balance at 6/30/2019	\$41,729,081,045
<u>Changes for the year:</u>	
Service Cost	1,790,973,822
Interest on the Total OPEB Liability	1,503,341,357
Change in Benefit Terms	-
Differences Between Expected and Actual Experience	11,544,750,637
Changes of Assumptions	12,386,549,981
Gross Benefit Payments	(1,180,515,618)
Contributions from Members	35,781,384
Net changes	<u>26,080,881,563</u>
The State's Total OPEB Liability Balance at 6/30/2020	<u>\$67,809,962,608</u>
The State's total OPEB liability attributable to the District:	\$15,812,300

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 9: POST-RETIREMENT BENEFITS-(Continued)

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020 and other changes.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current discount rate:

	June 30, 2020		
	At 1% Decrease <u>1.21%</u>	At Discount Rate <u>2.21%</u>	At 1% Increase <u>3.21%</u>
Total OPEB Liability (School Retirees)	\$81,748,410,002	\$67,809,962,608	\$56,911,439,160

	June 30, 2019		
	At 1% Decrease <u>2.50%</u>	At Discount Rate <u>3.50%</u>	At 1% Increase <u>4.50%</u>
Total OPEB Liability (School Retirees)	\$49,298,534,898	\$41,729,081,045	\$35,716,321,820

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total 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:

	June 30, 2020		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$54,738,488,540	\$67,809,962,608	\$83,375,182,975

	June 30, 2019		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$34,382,902,820	\$41,729,081,045	\$51,453,912,586

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 9: POST-RETIREMENT BENEFITS-(Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the board of education recognized OPEB expense and related revenue of \$643,703 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences Between Expected and Actual Experience	\$10,295,318,750	(\$9,170,703,615)
Changes of assumptions or other inputs	<u>11,534,251,250</u>	<u>(7,737,500,827)</u>
Total	<u>\$21,829,570,000</u>	<u>(\$16,908,204,442)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$43,440,417
2022	43,440,417
2023	43,440,417
2024	43,440,417
2025	43,440,417
Thereafter	<u>4,704,163,473</u>
	<u>\$4,921,365,558</u>

NOTE 10: DEFERRED COMPENSATION

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

- Equitable Life Assurance
- Metropolitan Life
- Syracusa Benefits Program

NOTE 11: COMPENSATED ABSENCES

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11: COMPENSATED ABSENCES - (Continued)

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2021, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020-2021	\$21	\$4,310	-	\$55,899
2019-2020	23	\$4,376	-	\$51,568
2018-2019	22	\$4,293	-	\$47,169

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,504,312 General Fund fund balance at June 30, 2021, \$2,282 is reserved for encumbrances; \$787,784 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$361,560 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2022); \$1,481,979 has been reserved in the Capital Reserve Account; \$30,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2022; \$51,568 is reserved for unemployment compensation; and \$150,699 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2020 to June 30, 2021 fiscal year is as follows:

Beginning balance July 1, 2020	\$ 1,231,979
Deposits (PL 2007 c.62 (A1)): Board Res. June 21, 2021	250,000
Ending balance June 30, 2021	<u>\$ 1,481,979</u>

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2021 is \$426,224.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2021:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 55,087	\$ 4,822
Special Revenue Fund	1,358	55,087
Food Service Fund	3,464	
	<u>\$ 59,909</u>	<u>\$ 59,909</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 18: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

NOTE 19: PRIOR PERIOD ADJUSTMENT

Restatement of Prior Period:

As the Unemployment Fund does not meet the definition of a fiduciary activity prescribed in GASB No. 84 paragraph 11, the Unemployment Fund is to be reported in the general fund. However, these funds are restricted pursuant to N.J.S.A. 43:21-7.3(g). Accordingly, as use of these funds are restricted by statute, any unemployment net position at 7/1/2020 should be classified as restricted fund balance in the general fund.

As the Student Activities Fund does not meet the definition of a fiduciary activity prescribed in GASB No. 84 paragraph 11, the Student Activities Fund is to be reported in the special revenue fund. N.J.A.C. 6A:23A-16.12 governs the establishment and operation of the Student Activity Fund restricting expenditures within the fund and prohibiting the transfer of any unspent balances to any other fund.

Governmental Activities Net Position:

Net Position (per A-2), June 30, 2020	\$ 3,553,716
Restricted fund balance for Unemployment Claims per GASB No. 84	51,568
Restricted fund balance for Student Activities per GASB No. 84	<u>14,129</u>
Net Position (per A-2), June 30, 2020, as Restated	<u>\$ 3,619,413</u>

Governmental Funds:

Fund Balance (per B-2), June 30, 2020	\$ 2,240,315
Restricted fund balance for Unemployment Claims per GASB No. 84	51,568
Restricted fund balance for Student Activities per GASB No. 84	<u>14,129</u>
Fund Balance (per B-2), June 30, 2020, as Restated	<u>\$ 2,306,012</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,906,072		\$ 2,906,072	\$ 2,906,072	
Miscellaneous	1,422		1,422	32,560	\$ 31,138
Total - Local Sources	<u>2,907,494</u>		<u>2,907,494</u>	<u>2,938,632</u>	<u>31,138</u>
State Sources:					
Equalization Aid	742,941		742,941	742,941	
Transportation Aid	90,234		90,234	90,234	
Special Education Aid	145,196		145,196	145,196	
Security Aid	24,644		24,644	24,644	
Other State Aids				1,000	1,000
TPAF Pension (On-Behalf - Non-Budgeted)				561,322	561,322
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				175,910	175,910
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				237	237
TPAF Social Security (Reimbursed - Non-Budgeted)				145,111	145,111
Total State Sources	<u>1,003,015</u>		<u>1,003,015</u>	<u>1,886,595</u>	<u>883,580</u>
TOTAL REVENUES	<u>3,910,509</u>		<u>3,910,509</u>	<u>4,825,227</u>	<u>914,718</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	85,640		85,640	84,040	1,600
Grades 1-5 - Salaries of Teachers	970,894		970,894	893,270	77,624
Grades 6-8 - Salaries of Teachers	137,915		137,915	136,315	1,600
Regular Programs - Home Instruction:					
Salaries of Teachers					
Purchased Professional-Educational Services	2,000		2,000		2,000
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	25,029	4,750	29,779	29,779	
Purchased Professional-Educational Services	2,000		2,000	1,719	281
Other Purchased Services (400-500 series)	63,000	(6,207)	56,793	53,624	3,169
General Supplies	21,500	1,513	23,013	14,133	8,880
Textbooks	15,000	(1,900)	13,100	9,035	4,065
Other Objects	1,000		1,000	359	641
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,323,978	(1,844)	1,322,134	1,222,274	99,860
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	127,940		127,940	126,340	1,600
General Supplies	500		500	500	
Textbooks	200		200		200
Total Learning and/or Language Disabilities	128,640		128,640	126,840	1,800

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	140,115		140,115	138,515	1,600
General Supplies	500		500	496	4
Textbooks	200		200		200
Total Resource Room/Resource Center	140,815		140,815	139,011	1,804
Preschool Disabilities - Part-Time					
Salaries of Teachers	59,445		59,445	58,645	800
Other Salaries for Instruction	17,000		17,000	13,600	3,400
General Supplies	200		200	192	8
Total Preschool Disabilities - Part-time	76,645		76,645	72,437	4,208
TOTAL SPECIAL EDUCATION - INSTRUCTION	346,100		346,100	338,288	7,812
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	80,720	500	81,220	81,220	
General Supplies	500		500	168	332
Textbooks	200		200		200
Total Basic Skills/Remedial - Instruction	81,420	500	81,920	81,388	532
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	8,500		8,500		8,500
Supplies and Materials	500		500		500
Total School Sponsored Cocurricular Activities	9,000		9,000		9,000
Summer School:					
Salaries of Teachers	15,000		15,000	5,820	9,180
Total Summer School	15,000		15,000	5,820	9,180
Other Instructional Programs:					
Other Purchased Services (300-500 series)	318		318		318
Total Other Instructional Programs	318		318		318
TOTAL INSTRUCTION	1,775,816	(1,344)	1,774,472	1,647,770	126,702

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Private Schools for the Disabled-Within State	56,864		56,864		56,864
Total Instruction	56,864		56,864		56,864
Health Services:					
Salaries	60,145		60,145	57,050	3,095
Purchased Professional and Technical Services	700	800	1,500	1,500	
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	1,500		1,500	1,499	1
Other Objects	1,000		1,000	265	735
Total Health Services	63,545	800	64,345	60,314	4,031
Other Supp. Services Students-Related Services:					
Salaries	81,540		81,540	81,540	
Purchased Professional and Educational Services	30,000	1,457	31,457	31,457	
Supplies and Materials	500		500	119	381
Total Other Supp. Services Students-Related Services	112,040	1,457	113,497	113,116	381
Other Supp. Services Students-Extra Services:					
Salaries	122,300		122,300	77,773	44,527
Total Other Supp. Services Students-Extra Services	122,300		122,300	77,773	44,527
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	12,815		12,815	12,815	
Supplies and Materials	100		100		100
Total Other Supp. Services Students-Regular	12,915		12,915	12,815	100
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	161,581		161,581	161,581	
Purchased Professional - Educational Services	15,000		15,000	5,045	9,955
Other Purch. Serv.(400-500 series)	500		500	384	116
Supplies and Materials	500	46	546	507	39
Other Objects	100		100	75	25
Total Other Supp. Services Students-Special	177,681	46	177,727	167,592	10,135

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction:					
Salaries of Other Professional Staff	71,495		71,495	71,495	
Purchased Professional - Educational Services	2,000		2,000	2,000	
Total Improvement of Instruction	73,495		73,495	73,495	
Educational Media Services/School Library:					
Salaries	86,765		86,765	84,765	2,000
Purchased Professional and Technical Services	1,500		1,500	539	961
Supplies and Materials	2,500		2,500	1,991	509
Total Educational Media Services/School Library	90,765		90,765	87,295	3,470
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	10,000		10,000	737	9,263
Total Instructional Staff Training Services	10,000		10,000	737	9,263
Supp. Services - General Administration:					
Salaries	143,912		143,912	142,872	1,040
Legal Services	1,000		1,000	35	965
Audit Fees	17,500	421	17,921	17,921	
Other Purchased Professional Services	1,000	(455)	545		545
Communications/Telephone	15,000	1,989	16,989	16,989	
BOE Other Purchased Services	4,000	(2,590)	1,410	960	450
Other Purchased Services (400-500 series)	5,000		5,000	4,443	557
General Supplies	1,000		1,000	1,000	
BOE In-House Training/Meeting Supplies	500		500	94	406
Miscellaneous Expenditures	1,000		1,000	827	173
BOE In-house Training/Meeting Supplies	5,000	695	5,695	5,695	
Total Supp. Services - General Administration	194,912	60	194,972	190,836	4,136
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	7,944	600	8,544	8,544	
Other Purchased Services (400-500 series)	700		700	200	500
Miscellaneous Expenditures	1,000		1,000	845	155
Total Support Services - School Administration	9,644	600	10,244	9,589	655

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	82,897		82,897	79,897	3,000
Purchased Professional Services	11,000	877	11,877	11,877	
Other Purchased Services (400-500 series)	1,000	(750)	250	214	36
Supplies and Materials	500		500	500	
Miscellaneous Expenditures	1,000	(127)	873	345	528
Total Central Services	96,397		96,397	92,833	3,564
Required Maintenance for School Facilities:					
Salaries	51,137		51,137	51,137	
Cleaning, Repair and Maintenance Services	60,000	1,350	61,350	57,663	3,687
General Supplies	10,000	7,750	17,750	13,862	3,888
Total Required Maintenance for School Facilities	121,137	9,100	130,237	122,662	7,575
Other Operations and Maintenance of Plant:					
Salaries	83,940		83,940	74,315	9,625
Purchased Professional and Technical Services	12,000		12,000	8,059	3,941
Cleaning, Repair and Maintenance Services	15,000		15,000	14,542	458
Other Purchased Property Services	2,000		2,000	345	1,655
Insurance	30,000		30,000	29,648	352
Miscellaneous Purchased Services	1,000		1,000		1,000
General Supplies	12,000	296	12,296	12,130	166
Energy (Electricity)	65,000		65,000	49,102	15,898
Energy (Oil)	75,000		75,000	25,133	49,867
Total Other Operations and Maintenance of Plant	295,940	296	296,236	213,274	82,962

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	22,079		22,079	22,079	
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	8,500		8,500	3,935	4,565
Other Purchased Prof. and Technical Services	500		500		500
Cleaning, Repair and Maintenance Services	2,000		2,000	1,007	993
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	5,000		5,000		5,000
Contracted Services (Between Home and School)-Vendors	150,000		150,000	145,899	4,101
Contracted Services (Other than Bet.Home & School)-Vendors					
Contract Services - (Spl. Ed. Students) - Vendors	15,000		15,000	1,625	13,375
Supplies and Materials	4,000		4,000	2,383	1,617
Other Objects	170		170	122	48
Total Student Transportation Services	207,249		207,249	177,050	30,199
UNALLOCATED BENEFITS					
Social Security Contributions	47,000		47,000	44,509	2,491
Other Retirement Contributions-Regular	46,000		46,000	38,295	7,705
Unemployment Compensation	2,000		2,000	1,238	762
Workmen's Compensation	24,000		24,000	21,567	2,433
Health Benefits	621,000		621,000	490,636	130,364
Tuition Reimbursement	15,000		15,000		15,000
Other Employee Benefits	30,000		30,000	15,101	14,899
TOTAL UNALLOCATED BENEFITS	785,000		785,000	611,346	173,654
On-behalf TPAF pension Contrib. (non-budgeted)				561,322	(561,322)
On-behalf TPAF PRM Contrib. (non-budgeted)				175,910	(175,910)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				237	(237)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				145,111	(145,111)
TOTAL ON-BEHALF CONTRIBUTIONS				882,580	(882,580)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	785,000		785,000	1,493,926	(708,926)
TOTAL UNDISTRIBUTED EXPENDITURES	2,429,884	12,359	2,442,243	2,893,307	(451,064)

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL GENERAL CURRENT EXPENSE	4,205,700	11,015	4,216,715	4,541,077	(324,362)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures-General Admin.	10,300		10,300	10,201	99
Total Equipment	10,300		10,300	10,201	99
Facilities Acquisition and Construction Services:					
Construction Services		116,608	116,608		116,608
Total Facilities Acquisition and Construction Services		116,608	116,608		116,608
TOTAL CAPITAL OUTLAY	10,300	116,608	126,908	10,201	116,707
Transfer of Funds to Charter Schools	86,000		86,000	84,140	1,860
TOTAL EXPENDITURES	4,302,000	127,623	4,429,623	4,635,418	(205,795)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(391,491)	(127,623)	(519,114)	189,809	708,923
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(391,491)	(127,623)	(519,114)	189,809	708,923
Fund Balance, July 1	2,363,236		2,363,236	2,363,236	
Prior Period Adjustment-Unemployment Fund Net Position as of June 30, 2020	51,568		51,568	51,568	
Fund Balance, July 1 (Restated)	2,414,804		2,414,804	2,414,804	
Fund Balance, June 30	\$ 2,023,313	\$ (127,623)	\$ 1,895,690	\$ 2,604,613	\$ 708,923

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1,481,979	
Excess Surplus				426,224	
Excess Surplus - Designated for Subsequent Year's Expenditures				361,560	
Unemployment Compensation				51,568	
Assigned to:					
Year-End Encumbrances				2,282	
Designated for Subsequent Year's Expenditures				30,000	
Unassigned:					
Unrestricted Fund Balance				<u>251,000</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				2,604,613	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(100,301)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 2,504,312</u>	

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 12,965	\$ 12,965	\$ 12,965	\$ -
Federal Sources	\$ 60,893	61,987	122,880	99,672	(23,208)
Total Revenues	60,893	74,952	135,845	112,637	(23,208)
EXPENDITURES:					
Instruction					
Salaries of Teachers		104	104	104	
Other Salaries for Instruction	26,207	(14,207)	12,000	12,000	
Tuition	-	116	116	-	116
Supplies and Materials	-	30,794	30,794	15,987	14,807
Total Instruction	26,207	16,807	43,014	28,091	14,923
Support Services					
Personal Services - Employee Benefits		7,524	7,524	-	7,524
Purchased Professional - Educational Services	20,815	21,490	42,305	42,305	
Other Purchased Services	13,871	(784)	13,087	13,087	
Student Activities		11,100	11,100	11,100	
Total Support Services	34,686	39,330	74,016	66,492	7,524
Capital Outlay:					
Communications/Technology		16,950	16,950	16,189	761
Total Capital Outlay	-	16,950	16,950	16,189	761
Total Expenditures	60,893	73,087	133,980	110,772	23,208
Total Outflows	60,893	73,087	133,980	110,772	23,208
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	1,865	1,865	1,865	-
Fund Balance Beginning				-	
Prior Period Adjustment *				14,129	
Fund Balance Beginning (Restated)				14,129	
Fund Balance Ending				<u>\$ 15,994</u>	
Recapitulation:					
Restricted:					
Student Activities				\$ 15,994	
Total Fund Balance				<u>\$ 15,994</u>	

* Represents the student activity fund ending balance as of June 30, 2020 for payable to student groups

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2021

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

	General Fund	Special Revenue Fund
	<hr/>	<hr/>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 4,825,227	\$ 112,637
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	480
Current Year	N/A	-
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	122,921	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(100,301)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,847,847</u>	<u>\$ 113,117</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,635,418	\$ 110,772
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	480
Current Year	N/A	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,635,418</u>	<u>\$ 111,252</u>

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

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 12,103,824</u>	<u>\$ 11,881,367</u>	<u>\$ 11,898,636</u>	<u>\$ 13,433,544</u>	<u>\$ 16,187,777</u>	<u>\$ 12,988,031</u>	<u>\$ 11,941,791</u>	<u>\$ 10,535,626</u>		
Total	<u>\$ 12,103,824</u>	<u>\$ 11,881,367</u>	<u>\$ 11,898,636</u>	<u>\$ 13,433,544</u>	<u>\$ 16,187,777</u>	<u>\$ 12,988,031</u>	<u>\$ 11,941,791</u>	<u>\$ 10,535,626</u>		
District's covered employee payroll	\$ 2,005,380	\$ 2,130,410	\$ 2,042,445	\$ 1,941,998	\$ 2,107,452	\$ 1,934,264	\$ 2,124,470	\$ 2,164,743		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Plan fiduciary net position as a percentage of the total pension liability	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%		

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

Exhibit L-1

Public Employees' Retirement System (PERS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
District's proportion of the net pension liability (asset)	0.00350062%	0.00363512%	0.00345549%	0.00414662%	0.00463672%	0.00380828%	0.00447897%	0.00433814%		
District's proportionate share of the net pension liability (asset)	<u>\$ 570,859</u>	<u>\$ 654,993</u>	<u>\$ 680,370</u>	<u>\$ 965,267</u>	<u>\$ 1,373,265</u>	<u>\$ 854,883</u>	<u>\$ 838,586</u>	<u>\$ 829,105</u>		
District's covered employee payroll	\$ 202,204	\$ 222,116	\$ 254,270	\$ 251,720	\$ 243,564	\$ 505,375	\$ 606,092	\$ 523,352		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	282.32%	294.89%	267.58%	383.47%	563.82%	169.16%	138.36%	158.42%		
Plan fiduciary net position as a percentage of the total pension liability (Local)	58.32%	56.27%	53.60%	58.18%	40.14%	47.92%	52.08%	48.72%		

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

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

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
District's covered employee payroll	\$ 2,005,380	\$ 2,130,410	\$ 2,042,445	\$ 1,941,998	\$ 2,107,452	\$ 1,934,264	\$ 2,124,470	\$ 2,164,743		
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		

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

Public Employees' Retirement System (PERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$38,295	\$35,522	\$34,574	\$39,074	\$41,459	\$32,741	\$ 36,924	\$ 32,687		
Contributions in relation to the contractually required contribution	(38,295)	(35,522)	(34,574)	(39,074)	(41,459)	(32,741)	(36,924)	(32,687)		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
District's covered employee payroll	\$ 202,204	\$ 222,116	\$ 254,270	\$ 251,720	\$ 243,564	\$ 505,375	\$ 606,092	\$ 523,352		
Contributions as a percentage of covered-employee payroll	18.94%	15.99%	13.60%	15.52%	17.02%	6.48%	6.09%	6.25%		

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

Knowlton Township School District
 Required Supplementary Information - Part III
 Schedule of Changes in the State's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years *

Exhibit M-1

State Health Benefit Local Education Retired Employees Plan (TPAF and PERS)

The State of New Jersey's Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Service Cost	\$ 1,790,973,822	\$ 1,734,404,850	\$ 1,984,642,729	\$ 2,391,878,884	\$ 1,723,999,319					
Interest	1,503,341,357	1,827,787,206	1,970,236,232	1,699,441,736	1,823,643,792					
Change in Benefit Terms										
Differences Between Expected and Actual Experience	11,544,750,637	(7,323,140,818)	(5,002,065,740)							
Benefit Payments	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)	(1,223,298,019)					
Contributions from Members	35,781,384	37,971,171	42,614,005	45,748,749	46,273,747					
Changes of Assumptions or other inputs	<u>12,386,549,981</u>	<u>622,184,027</u>	<u>(5,291,448,855)</u>	<u>(7,086,599,129)</u>	<u>8,611,513,521</u>					
Net change in total OPEB liability	26,080,881,563	(4,381,751,937)	(7,529,008,876)	(4,191,942,326)	10,982,132,360					
Total OPEB Liability - Beginning	\$ 41,729,081,045	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184	\$ 46,849,651,824					
Total OPEB Liability - Ending	\$ 67,809,962,608	\$ 41,729,081,045	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184					
The State of New Jersey's total OPEB liability **	\$ 67,809,962,608	\$ 41,729,081,045	\$ 46,110,832,982	\$ 53,639,841,858	\$ 57,831,784,184					
The State of New Jersey's OPEB liability attributable to the District **	\$ 15,812,300	\$ 9,517,234	\$ 10,788,238	\$ 12,638,931	\$ 13,753,959					
The District's proportionate share of the total OPEB liability	Zero	Zero	Zero	Zero	Zero					
District's covered employee payroll	\$ 2,207,584	\$ 2,352,526	\$ 2,296,715	\$ 2,193,718	\$ 2,351,016					
Total District's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%					
District's contribution	None	None	None	None	None					
State's covered employee payroll ***	\$ 14,267,738,657	\$ 13,929,083,479	\$ 13,640,275,833	\$ 13,493,400,208	\$ 13,493,400,208					
Total State's OPEB liability as a percentage of its covered-employee payroll	475.27%	299.58%	338.05%	397.53%	428.59%					

** Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

*** Covered payroll for the Measurement Period ending June 30, 2019 and June 30, 2020 is based on the payroll on the June 30, 2018 and June 30, 2019 census data, respectively

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

KNOWLTON SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension and Other Post Employment Benefits (OPEB) Schedules**

For the Fiscal Year Ended June 30, 2021

Teachers' Pension and Annuity Fund (TPAF)

Pension Schedules

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

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

OPEB Schedules

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

Public Employees' Retirement System (PERS)

Pension Schedules

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

Changes of assumptions. Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019

OPEB Schedules

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2021

	Title I	Title II Part A	Title IV	IDEA Basic	IDEA Preschool	REAP	CARES	CORONA Relief Fund	Student Activity	Totals
REVENUES										
Local Sources									\$ 12,965	\$ 12,965
Federal Sources	\$ 104	\$ 3,087	\$ 10,000	\$ 48,305	\$ 6,206	\$ 16,189	\$ 8,091	\$ 7,690		99,672
TOTAL REVENUES	104	3,087	10,000	48,305	6,206	16,189	8,091	7,690	12,965	112,637
EXPENDITURES:										
Instruction:										
Salaries of Teachers	104									104
Other Salaries for Instruction				6,000	6,000					12,000
Supplies and Materials					206		8,091	7,690		15,987
Total Instruction	104	-	-	6,000	6,206	-	8,091	7,690	-	28,091
Support Services:										
Personal Services - Employee Bene.										-
Purchased Profess.-Educ. Serv.				42,305						42,305
Other Purchased Serv.		3,087	10,000							13,087
Student Activities									11,100	11,100
Total Support Services	-	3,087	10,000	42,305	-	-	-	-	11,100	66,492
Facilities Acq. and Const. Services:										
Communications/Technology						16,189				16,189
Total Facilities Acq. and Const. Serv.	-	-	-	-	-	16,189	-	-	-	16,189
TOTAL EXPENDITURES	104	3,087	10,000	48,305	6,206	16,189	8,091	7,690	11,100	110,772
Total Outflows	\$ 104	\$ 3,087	\$ 10,000	\$ 48,305	\$ 6,206	\$ 16,189	\$ 8,091	\$ 7,690	\$ 11,100	\$ 110,772
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	1,865	1,865
Fund Balance Beginning	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustment *	-	-	-	-	-	-	-	-	14,129	14,129
Fund Balance Beginning (Restated)	-	-	-	-	-	-	-	-	14,129	14,129
Fund Balance Ending	-	-	-	-	-	-	-	-	\$ 15,994	\$ 15,994

* Represents the student activity fund ending balance as of June 30, 2020 for payable to student groups

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

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

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

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

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

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary Funds are defined by GASB No. 84 as four funds. (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

N/A

LONG-TERM DEBT SCHEDULES

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

N/A

Knowlton Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	85-90
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	91-94
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	95-98
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	99-100
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	101-105

Sources:

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports (ACFR) for the relevant year.

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

Exhibit J-1

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,534,667	\$ 2,649,746	\$ 2,768,213	\$ 2,813,629	\$ 2,747,666	\$ 2,656,717	\$ 2,518,030	\$ 2,422,910	\$ 2,287,958	\$ 2,110,488
Restricted	129,174	228,476	346,630	540,403	894,620	1,212,003	1,662,443	1,889,126	2,050,727	2,367,325
Unrestricted	213,060	131,322	8,796	(787,663)	(809,560)	(803,459)	(925,080)	(868,033)	(719,272)	(771,631)
Total governmental activities net position	<u>\$ 2,876,901</u>	<u>\$ 3,009,544</u>	<u>\$ 3,123,639</u>	<u>\$ 2,566,369</u>	<u>\$ 2,832,726</u>	<u>\$ 3,065,261</u>	<u>\$ 3,255,393</u>	<u>\$ 3,444,003</u>	<u>\$ 3,619,413</u>	<u>\$ 3,706,182</u>
Business-type activities										
Invested in capital assets, net of related debt										
Restricted										
Unrestricted	\$ 19,766	\$ 15,421	\$ 14,005	\$ 16,334	\$ 15,985	\$ 15,317	\$ 13,034	\$ 14,152	\$ 10,971	\$ 9,101
Total business-type activities net position	<u>\$ 19,766</u>	<u>\$ 15,421</u>	<u>\$ 14,005</u>	<u>\$ 16,334</u>	<u>\$ 15,985</u>	<u>\$ 15,317</u>	<u>\$ 13,034</u>	<u>\$ 14,152</u>	<u>\$ 10,971</u>	<u>\$ 9,101</u>
District-wide										
Invested in capital assets, net of related debt	\$ 2,534,667	\$ 2,649,746	\$ 2,768,213	\$ 2,813,629	\$ 2,747,666	\$ 2,656,717	\$ 2,518,030	\$ 2,422,910	\$ 2,287,958	\$ 2,110,488
Restricted	129,174	228,476	346,630	540,403	894,620	1,212,003	1,662,443	1,889,126	2,050,727	2,367,325
Unrestricted	232,826	146,743	22,801	(771,329)	(793,575)	(788,142)	(912,046)	(853,881)	(708,301)	(762,530)
Total district net position	<u>\$ 2,896,667</u>	<u>\$ 3,024,965</u>	<u>\$ 3,137,644</u>	<u>\$ 2,582,703</u>	<u>\$ 2,848,711</u>	<u>\$ 3,080,578</u>	<u>\$ 3,268,427</u>	<u>\$ 3,458,155</u>	<u>\$ 3,630,384</u>	<u>\$ 3,715,283</u>

Source: ACFR Schedule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,059,292	\$ 2,161,120	\$ 2,220,214	\$ 2,568,707	\$ 2,283,508	\$ 2,612,495	\$ 2,707,971	\$ 2,415,044	\$ 2,319,365	\$ 2,430,391
Special education	567,414	593,477	597,081	634,307	671,924	779,585	762,416	660,464	635,462	731,916
Other special education	146,534	146,281	144,661	145,915	246,992	294,601	291,565	257,702	238,856	270,699
Other instruction										
Support Services:										
Tuition	74,258	7,770	-	57,727	52,662	-	-	-	-	-
Student & instruction related services	529,270	438,360	415,552	489,342	659,800	671,650	764,961	755,665	810,123	838,611
General administrative services	447,110	421,676	438,089	462,723	471,900	537,458	530,648	480,256	455,675	508,047
School administrative services	148,070	150,867	133,223	175,327	172,787	202,633	149,878	121,925	107,543	132,798
Business administrative services										
Plant operations and maintenance	430,174	391,241	381,720	385,436	353,505	399,687	424,906	429,047	385,125	424,865
Pupil transportation	230,051	216,337	205,084	240,021	265,194	222,519	227,629	225,615	182,431	189,735
Interest on long-term debt	1,394	-	-	-	-	-	-	-	-	-
Unallocated depreciation	3,511	3,511	3,917	4,403	4,943	5,406	5,494	5,889	6,034	6,034
Total governmental activities expenses	<u>4,637,078</u>	<u>4,530,640</u>	<u>4,539,541</u>	<u>5,163,908</u>	<u>5,183,215</u>	<u>5,726,034</u>	<u>5,865,468</u>	<u>5,351,607</u>	<u>5,140,614</u>	<u>5,533,096</u>
Business-type activities:										
Food service	80,433	71,065	64,635	65,022	62,703	53,861	53,537	53,231	40,459	44,567
Total business-type activities expense	<u>80,433</u>	<u>71,065</u>	<u>64,635</u>	<u>65,022</u>	<u>62,703</u>	<u>53,861</u>	<u>53,537</u>	<u>53,231</u>	<u>40,459</u>	<u>44,567</u>
Total district expenses	<u>\$ 4,717,511</u>	<u>\$ 4,601,705</u>	<u>\$ 4,604,176</u>	<u>\$ 5,228,930</u>	<u>\$ 5,245,918</u>	<u>\$ 5,779,895</u>	<u>\$ 5,919,005</u>	<u>\$ 5,404,838</u>	<u>\$ 5,181,073</u>	<u>\$ 5,577,663</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	55,095	\$ 41,380	\$ 66,458	\$ 99,831	\$ 33,558	\$ 44,652	\$ -	\$ 11,200	\$ -	-
Support Services	\$ 20,202	15,150	24,333	36,550	12,287	16,348	-	-	-	12,965
Operating grants and contributions	2,026,386	1,963,929	1,921,264	2,476,442	2,651,697	3,066,648	3,225,097	2,684,780	2,290,528	\$ 2,668,268
Capital grants and contributions		-	-	55,087	-	-	-	-	-	-
Total governmental activities program revenues	<u>2,101,653</u>	<u>2,021,459</u>	<u>2,012,055</u>	<u>2,667,910</u>	<u>2,697,542</u>	<u>3,127,648</u>	<u>3,225,097</u>	<u>2,695,980</u>	<u>2,290,528</u>	<u>2,681,233</u>
Business-type activities:										
Charges for services										
Food service	39,215	35,650	34,838	33,520	30,143	25,900	27,147	30,631	18,626	51
Operating grants and contributions	38,179	31,017	27,202	30,950	30,504	27,293	24,107	23,615	18,596	42,636
Capital grants and contributions		-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>77,394</u>	<u>66,667</u>	<u>62,040</u>	<u>64,470</u>	<u>60,647</u>	<u>53,193</u>	<u>51,254</u>	<u>54,246</u>	<u>37,222</u>	<u>42,687</u>
Total district program revenues	<u>\$ 2,179,047</u>	<u>\$ 2,087,126</u>	<u>\$ 2,074,095</u>	<u>\$ 2,732,380</u>	<u>\$ 2,758,189</u>	<u>\$ 3,180,841</u>	<u>\$ 3,276,351</u>	<u>\$ 2,750,226</u>	<u>\$ 2,327,750</u>	<u>\$ 2,723,920</u>
Net (Expense)/Revenue										
Governmental activities	\$ (2,535,425)	\$ (2,510,181)	\$ (2,527,486)	\$ (2,495,998)	\$ (2,485,673)	\$ (2,598,386)	\$ (2,640,371)	\$ (2,655,627)	\$ (2,850,086)	\$ (2,851,863)
Business-type activities	(3,039)	(4,398)	(2,595)	(552)	(2,056)	(668)	(2,283)	1,015	(3,237)	(1,880)
Total district-wide net expense	<u>\$ (2,538,464)</u>	<u>\$ (2,514,579)</u>	<u>\$ (2,530,081)</u>	<u>\$ (2,496,550)</u>	<u>\$ (2,487,729)</u>	<u>\$ (2,599,054)</u>	<u>\$ (2,642,654)</u>	<u>\$ (2,654,612)</u>	<u>\$ (2,853,323)</u>	<u>\$ (2,853,743)</u>

"Continued"

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,633,483	\$ 2,633,483	\$ 2,633,483	\$ 2,686,000	\$ 2,739,594	\$ 2,793,225	\$ 2,793,225	\$ 2,793,225	\$ 2,849,090	\$ 2,906,072
Taxes levied for debt service	125,721	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions										
Investment earnings	5,104	2,272	3,273	2,584	3,413	8,139	17,437	30,215	22,090	7,370
Miscellaneous income	5,102	7,069	19,695	42,405	9,023	29,557	19,841	20,797	88,619	25,190
Transfers										
Total governmental activities	<u>2,769,410</u>	<u>2,642,824</u>	<u>2,656,451</u>	<u>2,730,989</u>	<u>2,752,030</u>	<u>2,830,921</u>	<u>2,830,503</u>	<u>2,844,237</u>	<u>2,959,799</u>	<u>2,938,632</u>
Business-type activities:										
Miscellaneous Income	101	53	1,179	2,881	1,707	-	-	103	56	10
Transfers										
Total business-type activities	<u>101</u>	<u>53</u>	<u>1,179</u>	<u>2,881</u>	<u>1,707</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>56</u>	<u>10</u>
Total district-wide	<u>\$ 2,769,511</u>	<u>\$ 2,642,877</u>	<u>\$ 2,657,630</u>	<u>\$ 2,733,870</u>	<u>\$ 2,753,737</u>	<u>\$ 2,830,921</u>	<u>\$ 2,830,503</u>	<u>\$ 2,844,340</u>	<u>\$ 2,959,855</u>	<u>\$ 2,938,642</u>
Change in Net Position										
Governmental activities	\$ 233,985	\$ 132,643	\$ 128,965	\$ 234,991	\$ 266,357	\$ 232,535	\$ 190,132	\$ 188,610	\$ 109,713	\$ 86,769
Business-type activities	(2,938)	(4,345)	(1,416)	2,329	(349)	(668)	(2,283)	1,118	(3,181)	(1,870)
Total district	<u>\$ 231,047</u>	<u>\$ 128,298</u>	<u>\$ 127,549</u>	<u>\$ 237,320</u>	<u>\$ 266,008</u>	<u>\$ 231,867</u>	<u>\$ 187,849</u>	<u>\$ 189,728</u>	<u>\$ 106,532</u>	<u>\$ 84,899</u>

Source: ACFR Schedule A-2

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

Exhibit J-3

	2012	2013	2014	2015	Fiscal Year Ending June 30,		2018	2019	2020	2021
					2016	2017				
General Fund										
Reserved	\$ 351,901	\$ 363,850	\$ 365,050	\$ 548,523	\$ 895,422	\$ 1,302,693	\$ 1,668,390	\$ 1,922,550	\$ 2,164,804	\$ 2,353,613
Unreserved	111,930	113,968	113,404	112,903	111,513	111,317	111,436	116,681	127,079	150,699
Total general fund	<u>\$ 463,831</u>	<u>\$ 477,818</u>	<u>\$ 478,454</u>	<u>\$ 661,426</u>	<u>\$ 1,006,935</u>	<u>\$ 1,414,010</u>	<u>\$ 1,779,826</u>	<u>\$ 2,039,231</u>	<u>\$ 2,291,883</u>	<u>\$ 2,504,312</u>
All Other Governmental Funds										
Reserved									\$ 14,129	\$ 15,994
Unreserved, reported in:										
Special revenue fund										
Capital projects fund										
Debt service fund										
Permanent fund										
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 14,129</u>	<u>\$ 15,994</u>

Source: ACFR Schedule B-1

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

Exhibit J-4

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues										
Tax levy	\$ 2,759,204	\$ 2,633,483	\$ 2,633,483	\$ 2,686,000	\$ 2,739,594	\$ 2,793,225	\$ 2,793,225	\$ 2,793,225	\$ 2,849,090	\$ 2,906,072
Tuition charges	75,267	56,530	90,791	136,381	45,845	61,000	-	11,200	-	-
Interest earnings	107	-	-	-	-	-	-	-	-	-
Miscellaneous	10,099	9,341	22,968	44,989	12,436	37,696	37,278	51,012	110,709	45,525
State sources	1,842,261	1,836,734	1,792,819	1,876,815	1,887,161	1,952,305	1,991,515	2,063,841	1,958,573	1,909,215
Federal sources	184,125	127,195	128,445	123,131	136,254	122,541	128,770	126,967	115,940	100,152
Total revenue	4,871,063	4,663,283	4,668,506	4,867,316	4,821,290	4,966,767	4,950,788	5,046,245	5,034,312	4,960,964
Expenditures										
Instruction										
Regular Instruction	1,486,866	1,534,725	1,597,741	1,708,821	1,343,643	1,379,736	1,402,101	1,381,515	1,400,959	1,250,365
Special education instruction	381,617	387,869	392,846	340,681	351,080	364,105	323,128	314,745	328,819	338,288
Other special instruction	61,491	51,286	51,314	8,809	97,488	98,647	83,858	97,938	99,065	87,208
Support Services:										
Tuition	74,258	7,770	-	57,727	52,662	-	-	-	-	-
Student & instruction related services	442,682	343,729	320,210	356,141	513,832	485,791	569,158	596,592	666,456	659,629
General administrative services	342,109	304,966	322,747	295,215	289,045	299,306	278,545	283,996	282,706	283,669
School Administrative services	90,672	86,921	70,195	83,308	72,389	71,484	10,960	14,387	13,086	9,589
Business administrative services										
Plant operations and maintenance	578,915	345,178	336,430	318,994	281,046	304,779	324,319	351,580	317,291	335,936
Pupil transportation	224,172	209,770	198,631	230,543	254,859	208,973	213,270	214,571	172,767	177,050
Unallocated employee benefits	1,015,053	1,116,419	1,080,926	1,097,152	1,140,454	1,233,025	1,306,700	1,386,282	1,408,461	1,493,926
Charter Schools	11,925	19,404	26,663	12,028	-	27,145	27,145	48,289	85,261	84,140
Capital outlay	44,974	241,259	270,187	174,925	79,283	86,701	45,788	96,945	58,357	26,870
Debt service:										
Principal	169,000	-	-	-	-	-	-	-	-	-
Interest and other charges	5,577	-	-	-	-	-	-	-	-	-
Total expenditures	4,929,311	4,649,296	4,667,870	4,684,344	4,475,781	4,559,692	4,584,972	4,786,840	4,833,228	4,746,670
Excess (Deficiency) of revenues over (under) expenditures	(58,248)	13,987	636	182,972	345,509	407,075	365,816	259,405	201,084	214,294
Other Financing Sources (uses)										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (58,248)	\$ 13,987	\$ 636	\$ 182,972	\$ 345,509	\$ 407,075	\$ 365,816	\$ 259,405	\$ 201,084	\$ 214,294
Debt service as a percentage of noncapital expenditures	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: ACFR Schedule B-2

KNOWLTON TOWNSHIP SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Grants &</u> <u>Contributions</u>	<u>Miscellaneous</u>	<u>Total</u>
2012	\$ 5,104	\$ 75,267		\$ 5,102	\$ 85,473
2013	2,272	56,530	4,910	2,159	65,871
2014	3,273	90,791	100	18,837	113,001
2015	2,584	136,381		38,602	177,567
2016	3,413	45,845		9,023	58,281
2017	8,139	61,000		29,557	98,696
2018	17,437	-	5,347	14,494	37,278
2019	30,215	11,200		20,797	62,212
2020	22,090			88,619	110,709
2021	7,370	6,000		19,190	32,560

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2012	\$6,815,100	\$193,748,800	\$34,475,500	\$2,732,840	\$20,638,000	-	\$665,700	286,035,174	\$26,280,800	\$678,434	\$259,754,374	\$1.013	\$369,513,265
2013	6,627,600	194,646,300	33,953,200	2,734,840	20,642,000	-	665,700	286,246,017	26,280,800	695,577	259,965,217	1.028	356,512,227
2014	6,230,100	195,036,500	33,034,500	2,731,740	20,720,500	-	665,700	285,904,453	26,769,700	715,713	259,134,753	1.035	324,354,292
2015	6,051,000	195,127,800	33,526,200	2,756,940	20,654,700	-	665,700	286,246,112	26,683,700	780,072	259,562,412	1.060	306,839,048
2016	5,722,900	194,371,100	34,050,200	2,766,640	20,003,800	-	665,700	285,246,159	26,737,500	928,319	258,508,659	1.079	300,125,043
2017	5,934,500	194,680,700	33,861,300	2,749,640	20,093,900	-	665,700	285,796,298	26,940,600	869,958	258,855,698	1.080	304,702,339
2018	6,303,700	194,568,700	33,981,500	2,715,740	19,541,700	-	665,700	285,781,507	27,150,900	853,567	258,630,607	1.081	312,078,626
2019	6,321,600	194,206,300	33,713,800	2,698,740	19,960,700	-	665,700	285,870,431	27,415,500	888,091	258,454,931	1.081	311,529,335
2020	5,953,100	194,233,800	33,876,500	2,694,940	19,941,900	-	665,700	285,474,591	27,186,000	922,651	258,288,591	1.143	306,987,140
2021	4,533,900	194,887,700	33,206,700	2,704,640	19,941,900	\$2,189,300	665,700	287,004,282	27,917,300	957,142	259,086,982	1.143	330,579,537

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Knowlton Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School District	Knowlton Township	Warren County	
2012	\$0.995	\$0.067	\$1.062	\$0.862	\$0.370	\$0.905	\$3.199
2013	1.013	-	1.013	0.793	0.421	0.925	3.152
2014	1.028	-	1.028	0.827	0.430	0.956	3.241
2015	1.035	-	1.035	0.812	0.429	0.911	3.187
2016	1.060	-	1.060	0.908	0.431	0.901	3.300
2017	1.079	-	1.079	0.945	0.418	0.899	3.341
2018	1.080	-	1.080	1.002	0.418	0.915	3.415
2019	1.081	-	1.081	1.067	0.423	0.881	3.452
2020	1.081	-	1.081	1.096	0.443	0.851	3.471
2021	1.143	-	1.143	1.116	0.441	0.898	3.598

Source: District Records and Municipal Tax Collector

Note:

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

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

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

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

Exhibit J-8

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
TA Operating Corporation	\$ 4,209,700	1	1.62%	\$ 3,562,300	1	2.19%
Columbia Associates	1,124,500	2	0.43%			
The Labarre Family Limited Partnership	981,400	3	0.38%			
Taylor Family Limited Partnership	942,000	4	0.36%	601,900	6	0.37%
United Telephone Company	817,191	5	0.32%			
Ullman Family Partnership, LP	796,900	6	0.31%			
Delaware River Family Campground, Inc.	794,700	7	0.31%	775,000	3	0.61%
Individual Taxpayer #1	712,600	8	0.28%	1,000,000	2	0.61%
Individual Taxpayer #2	612,300	9	0.24%	719,000	4	0.44%
Individual Taxpayer #3	576,200	10	0.22%	708,000	5	0.43%
Northwest Farming, Inc.				481,600	7	0.30%
Individual Taxpayer #4				451,100	8	0.28%
Individual Taxpayer #5				442,500	9	0.27%
K.A.K.S.				437,700	10	0.27%
			<u>4.46%</u>	<u>\$ 9,179,100</u>		<u>5.77%</u>

Source: District ACFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2012	\$2,633,483	\$2,633,483	100.00%	-
2013	2,633,483	2,633,483	100.00%	-
2014	2,633,483	2,633,483	100.00%	-
2015	2,686,000	2,686,000	100.00%	-
2016	2,739,594	2,739,594	100.00%	-
2017	2,793,225	2,793,225	100.00%	-
2018	2,793,225	2,793,225	100.00%	-
2019	2,793,225	2,793,225	100.00%	-
2020	2,849,090	2,849,090	100.00%	-
2021	2,906,072	2,906,072	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2012	-					-	0.000%	-
2013	-					-	0.000%	-
2014	-					-	0.000%	-
2015	-					-	0.000%	-
2016	-					-	0.000%	-
2017	-					-	0.000%	-
2018	-					-	0.000%	-
2019	-					-	0.000%	-
2020	-					-	0.000%	-
2021	-					-	0.000%	-

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions				
2012	-	-0-	-	-	0.00%	-
2013	-	-0-	-	-	0.00%	-
2014	-	-0-	-	-	0.00%	-
2015	-	-0-	-	-	0.00%	-
2016	-	-0-	-	-	0.00%	-
2017	-	-0-	-	-	0.00%	-
2018	-	-0-	-	-	0.00%	-
2019	-	-0-	-	-	0.00%	-
2020	-	-0-	-	-	0.00%	-
2021	-	-0-	-	-	0.00%	-

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

a See Exhibit NJ J-6 for property tax data.

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

Knowlton Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2021

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Township of Knowlton	\$ 1,031,447	100.0%	\$ 1,031,447
Other debt			
Warren County	1,765,000	3.0%	<u>52,191</u>
Subtotal, overlapping debt			1,083,638
Knowlton Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 1,083,638</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2021

	Equalized valuation basis
	2020 \$ 325,281,605
	2019 328,360,234
	2018 305,065,545
	[A] <u>\$ 958,707,384</u>
Average equalized valuation of taxable property	[A/3] \$ 319,569,128
Debt limit (2.5% of average equalization value)	[B] 7,989,228
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 7,989,228</u>

	Fiscal Year									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt limit	\$9,293,227	\$8,707,864	\$8,178,103	\$7,722,244	\$7,546,857	\$7,596,782	\$7,683,182	\$7,707,798	\$7,858,899	\$7,989,228
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$9,293,227</u>	<u>\$8,707,864</u>	<u>\$8,178,103</u>	<u>\$7,722,244</u>	<u>\$7,546,857</u>	<u>\$7,596,782</u>	<u>\$7,683,182</u>	<u>\$7,707,798</u>	<u>\$7,858,899</u>	<u>\$7,989,228</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2012	3,042	\$ 140,132,021	\$47,099 R	11.00%
2013	3,023	\$ 140,228,920	\$47,606 R	4.00%
2014	2,998	\$ 145,205,325	\$49,212 R	6.50%
2015	2,998	\$ 151,993,372	\$51,146 R	6.10%
2016	2,988	\$ 151,891,568	\$52,006 R	5.30%
2017	2,966	\$ 150,873,528	\$53,669 R	4.70%
2018	2,952	\$ 152,921,288	\$55,448 R	4.30%
2019	2,945	\$ 157,648,795	\$57,854 R	4.40%
2020	2,933	\$ 164,137,824	\$57,854 R	9.60%
2021	2,930	\$ 169,512,220	\$57,854 *	*

Source:

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

^b Per Capita information provided by U.S. Dept of Commerce.

^c Per Capita information provided by U.S. Dept of Commerce.

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

R =Revised

* Current data unavailable

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

Exhibit J-15

N/A

Employer	2021			2012		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

Source:

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

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

Exhibit J-16

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Instruction										
Regular	23.2	23.7	25.2	23.9	22.6	21.2	20.9	20.7	20.7	18.9
Special education	6.0	6.0	8.5	7.3	6.9	7.6	6.0	6.3	6.6	6.3
Other special education	5.5	5.5	3.0	2.8	3.0	3.0	3.0	3.0	3.0	3.0
Other instruction	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services:										
Student & instruction related services	3.6	3.6	2.4	2.2	2.2	2.3	2.3	2.3	2.3	2.3
General administrative services	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative services	2.0	2.0	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total	48.0	48.5	48.2	45.7	44.2	43.6	41.7	41.8	42.1	40.0

Source: District Personnel Records

**Knowlton Township School District
Operating Statistics
Last Ten Fiscal Years**

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2012	271	\$4,709,760	\$17,379	8.72%	30	1:9.0		269.8	257.6	-1.53%	95.48%
2013	247	\$4,408,037	\$17,846	2.69%	32	1:7.2		244.7	231.7	-9.30%	94.69%
2014	243	\$4,397,683	\$18,097	1.41%	32	1:7.6		242.6	230.4	-0.87%	94.97%
2015	229	\$4,509,419	\$19,692	8.81%	31	1:7.4		217.6	207.8	-10.30%	95.50%
2016	201	\$4,396,498	\$21,873	11.08%	30	1:6.7		199.5	190.6	-8.32%	95.54%
2017	194	\$4,472,991	\$23,057	5.41%	29	1:6.7		194.5	186.1	-2.51%	95.68%
2018	186	\$4,539,184	\$24,404	5.84%	27	1:6.9		183.8	175.5	-5.50%	95.48%
2019	171	\$4,689,895	\$26,497	8.57%	26	1:6.6		175.4	167.2	-4.57%	95.32%
2020	159	\$4,774,871	\$30,031	13.34%	26	1:6.1		154.8	149.9	-11.74%	96.83%
2021	150	\$4,719,800	\$31,465	4.78%	25	1:6.0		155.8	150.7	0.65%	96.73%

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

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>District Building</u>										
<u>Elementary</u>										
Knowlton School (1935)										
Square Feet	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562
Capacity (students)	353	353	353	353	353	353	353	353	353	353
Enrollment	271	247	243	229	201	194	186	171	159	150

Number of Schools at June 30, 2021

Source: District records, ASSA

Elementary = 1

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2021

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Elementary School- Grades K-6	N/A	\$ 329,504	\$ 131,737	\$ 92,517	\$ 90,020	\$ 76,231	\$ 96,079	\$ 98,959	\$ 106,819	\$ 102,495	\$ 122,662	\$ 1,247,023
Total School Facilities		329,504	131,737	92,517	90,020	76,231	96,079	98,959	106,819	102,495	122,662	1,247,023
Other Facilities												
Grand Total		\$ 329,504	\$ 131,737	\$ 92,517	\$ 90,020	\$ 76,231	\$ 96,079	\$ 98,959	\$ 106,819	\$ 102,495	\$ 122,662	\$ 1,247,023

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2021

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property	\$ 500,000,000	\$ 1,000
Commercial General Liability - (Blanket)	50,000,000	1,000
Commercial Automotive Liability	10,000,000	-
Comprehensive Crime Coverage, Employee Dishonesty	250,000	1,000
Comprehensive Crime Coverage, Monies and Securities	50,000	1,000
Comprehensive Crime Coverage, Forgery or Alteration	50,000	1,000
 SCHOOL LEADER PROFESSIONAL LIABILITY INSURANCE and BOARD OF EDUCATION LEGAL LIABILITY		
	10,000,000	5,000
 PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND		
	250,000	1,000
Treasurer of School Monies	152,000	
Business Administrator/Board Secretary	25,000	

SOURCE: District Records

Single Audit Section



ARDITO & COMPANY LLC

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Knowlton Township School District Board of Education's basic financial statements, and have issued our report thereon dated January 26, 2022.

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

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

Purpose of this Report

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

Ardito & Company LLC

ARDITO & COMPANY LLC

January 26, 2022

Anthony Ardito

Anthony Ardito

Licensed Public School Accountant No. 2369



ARDITO & COMPANY LLC

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Knowlton Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2021. The Knowlton Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

-Continued-

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 Knowlton Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Ardito & Company LLC

ARDITO & COMPANY LLC

January 26, 2022

Anthony Ardito

Anthony Ardito

Licensed Public School Accountant No. 2369

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 20, 2021

Schedule A

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2020	Carryover/ Walkover/ Amount	Cash Received	Budget Expend.	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2021			Cumulative Total Expenditures	
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
U.S. Department of Treasury																	
Passed-through State																	
Department of Education:																	
Special Revenue Fund:																	
Coronavirus Relief Fund Grant	21.019	TBD	N/A	\$ 7,690	3/1/20	12/31/21			\$ 7,690	\$ (7,690)							7,690
U.S. Department of Education Passed-Through State Department of Education:																	
Special Revenue Fund																	
TITLE I	84.010	S010A200030	N/A	104	7/1/20	6/30/21			104	(104)							\$ 104
TITLE I	84.010	S010A190030	N/A	28,463	7/1/19	6/30/20	\$ 1,873					\$ (2,064)	\$ 3,937				28,463
TITLE I I (A)	84.367	S367B200027	N/A	3,087	7/1/20	6/30/21				(3,087)			(3,087)				3,087
TITLE I I (A)	84.367	S367B190027	N/A	6,319	7/1/19	6/30/20	1,963					(1,624)	3,587				6,319
TITLE I V	84.424A	S424B200027	N/A	10,000	7/1/19	6/30/20			5,000	(10,000)			(5,000)				10,000
I.D.E.A. Part B, Basic Regular	84.027	H027A200100	N/A	48,305	7/1/20	6/30/21			26,000	(48,189)			(22,305)	116			48,189
I.D.E.A. Part B, Basic Regular	84.027	H027A190100	N/A	49,076	7/1/19	6/30/20	116			(116)							49,076
I.D.E.A. Part B, Preschool	84.173	H173A200114	N/A	6,206	7/1/20	6/30/21			6,206	(6,204)			-	2			6,204
I.D.E.A. Part B, Preschool	84.173	H173A190114	N/A	6,244	7/1/19	6/30/20	2			(2)							6,244
Total Special Education Cluster							118	-	32,206	(54,511)	-	-	(22,305)	118	-		109,713
Rural Education Achievement Program	84.358B	S358B200030	S358A200803	16,189	7/1/20	9/30/21				(15,428)			(16,189)	761			15,428
Rural Education Achievement Program	84.358B	S358B190030	S358A192163	16,318	7/1/19	9/30/20	(15,557)		16,318	(761)							16,318
CARES Emergency Relief Grant	84.425D	S425D200027	CARES	22,878	3/13/20	9/30/22	-		22,878	(8,091)				14,787			8,091
Total Special Revenue Fund							(11,603)	-	84,196	(99,672)	-	-	(50,269)	23,190	-		205,213
U.S. Department of Agriculture Passed-Through State Department of Education:																	
Enterprise Fund																	
National School Lunch Program (Food Distribution)	10.555	201NJ304N1099	N/A		7/1/19	6/30/20	1,032			(1,032)							1,032
National School Lunch Program (Food Distribution)	10.555	211NJ304N1099	N/A	6,059	7/1/20	9/30/21			6,059	(3,114)				2,945			3,114
School Breakfast Program	10.553	201NJ304N1099	N/A		7/1/19	6/30/20	(260)		260								
School Breakfast Program	10.553	211NJ304N1099	N/A	9,628	7/1/20	9/30/21			8,715	(9,628)			(913)				9,628
National School Lunch Program	10.555	201NJ304N1099	N/A		7/1/19	6/30/20	(410)		410								
National School Lunch Program	10.555	211NJ304N1099	N/A	27,498	7/1/20	9/30/21			25,779	(27,498)			(1,719)				27,498
Total Enterprise Fund							362		41,223	(41,272)			(2,632)	2,945			41,272
TOTAL FEDERAL FINANCIAL AWARDS							\$ (11,241)	-	\$ 125,419	\$ (140,944)	-	-	\$ (52,901)	\$ 26,135	-		\$ 246,485

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

Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2021

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2020	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2021			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
													*		
													*		
													*		
State Department of Education															
General Fund:															
Equalization Aid	21-495-034-5121-078	7/1/20-6/30/21	\$ 742,941			\$ 742,941	\$ (742,941)						*	\$ 74,294	\$ 742,941
Transportation Aid	21-495-034-5121-014	7/1/20-6/30/21	90,234			90,234	(90,234)						*	9,023	90,234
Special Education Aid	21-495-034-5121-089	7/1/20-6/30/21	145,196			145,196	(145,196)						*	14,520	145,196
Security Aid	21-495-034-5121-084	7/1/20-6/30/21	24,644			24,644	(24,644)						*	2,464	24,644
Non-Public Transportation Aid	21-100-034-5121-068	7/1/20-6/30/21	1,000			-	(1,000)			\$ (1,000)			*		1,000
On Behalf TPAF Pension	21-495-034-5094-002	7/1/20-6/30/21	561,322			561,322	(561,322)						*		561,322
On Behalf TPAF Pension PMR	21-495-034-5094-001	7/1/20-6/30/21	175,910			175,910	(175,910)						*		175,910
On Behalf TPAF Pension Non-Contrib Ins	21-495-034-5094-004	7/1/20-6/30/21	237			237	(237)						*		237
Reimb.TPAF Soc.Sec.Contrib.	21-495-034-5094-003	7/1/20-6/30/21	145,111			145,111	(145,111)						*		145,111
Total General Fund				-		1,885,595	(1,886,595)			(1,000)			*	100,301	1,886,595
													*		
													*		
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	20-100-034-5121-122	7/1/19-6/30/20		\$ (7)		7							*		
Nat.School Lunch Prog.(State Share)	21-100-034-5121-122	7/1/20-6/30/21	1,364			1,242	(1,364)			\$ (122)			*		1,364
Total Enterprise Fund				(7)		1,249	(1,364)			(122)			*		1,364
													*		
Total State Financial Assistance				\$ (7)	-	\$ 1,886,844	\$ (1,887,959)	-	-	\$ (1,122)	-	-	*	\$ 100,301	\$ 1,887,959

Less On-behalf TPAF Pension Amounts:
 On Behalf TPAF Pension 561,322
 On Behalf TPAF Pension PMR 175,910
 On Behalf TPAF Pension Non-Contrib 237
 Total State Expenditures Subject to Major Program Determination \$ (1,150,490)

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2021

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$22,620 for the general fund and \$480 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2021

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,909,215	\$ 1,909,215
Special Revenue Fund	\$ 100,152	-	100,152
Food Service Fund	<u>41,272</u>	<u>1,364</u>	<u>42,636</u>
Total Financial Assistance	<u>\$ 141,424</u>	<u>\$ 1,910,579</u>	<u>\$ 2,052,003</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2021. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2021.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards

Not Applicable

Internal control over major programs:

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

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

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

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

Identification of major programs:

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

State Financial Assistance Section

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

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:
1) Material weakness(es) identified? yes x no
2) Were significant deficiencies identified that were not considered to be material weaknesses? yes x none

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? yes x no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

21-495-034-5120-078

Equalization Aid (State Aid Cluster)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section II-Financial Statement Findings

N/A

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

Section III - State Financial Assistance Findings and Questioned Costs

N/A

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

STATUS OF PRIOR YEAR FINDINGS

N/A

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