

KITTATINNY
REGIONAL SCHOOL DISTRICT

Kittatinny Regional School District
Board of Education
Hampton, Sussex County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

Comprehensive Annual

Financial Report

of the

Kittatinny Regional School District

Board of Education

Hampton, Sussex County

For the Fiscal Year Ending June 30, 2012

Prepared by

Kittatinny Regional School District

Board of Education

Finance Department

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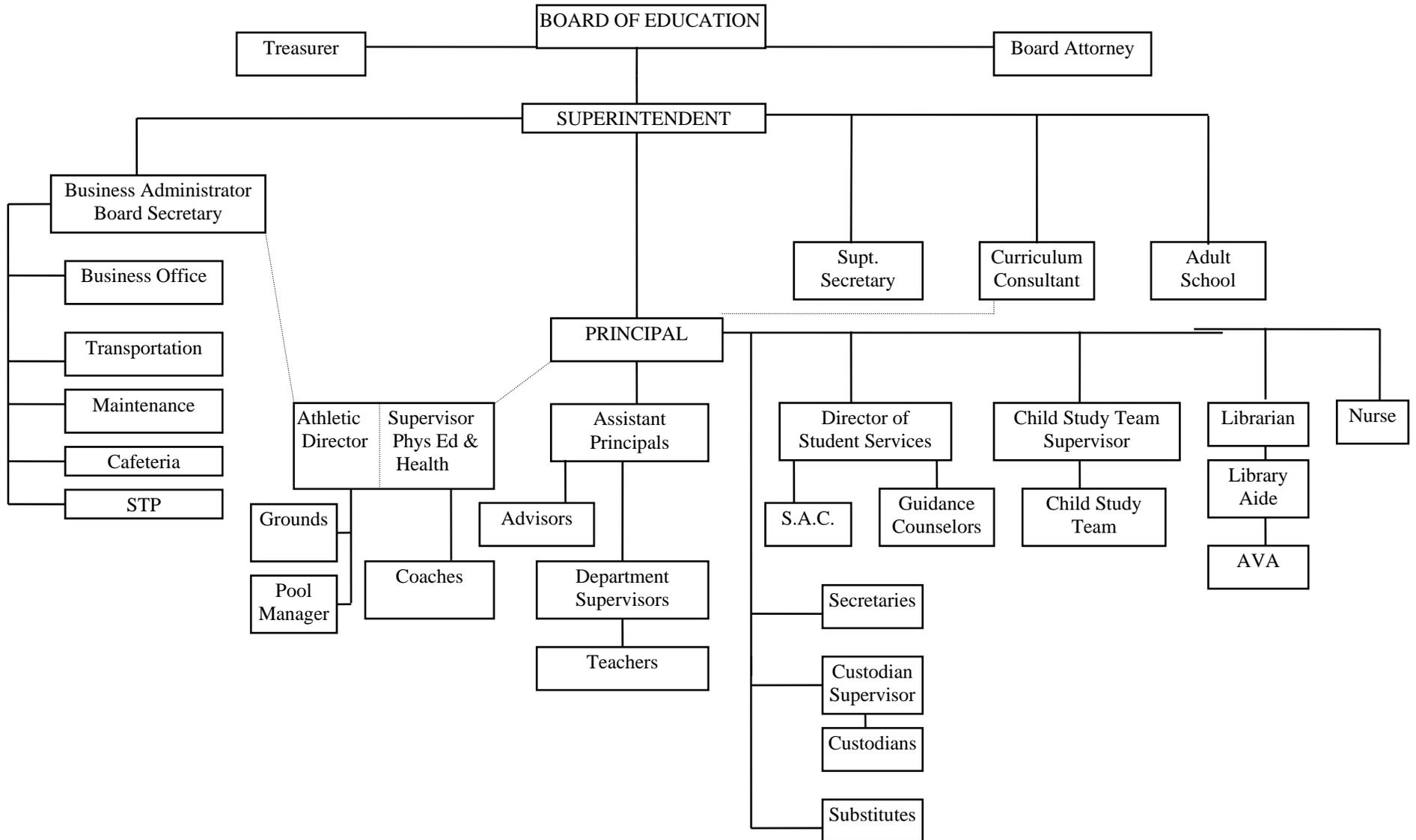
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Introductory Section

Kathy Kane

Business Administrator/Board Secretary

KITTATINNY REGIONAL HIGH SCHOOL DISTRICT CHART OF ORGANIZATION



**KITTATINNY REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
James Hunt, President	2014
David Ormesher, Vice-President	2014
Judy Youngs	2012
Anthony Norod	2012
Robert Greene	2014
Eleanore Shaffer	2012
Barbara Andrews	2013
John Tracey	2013
Walpack (Vacant)	2013

Other Officials

Craig Hutcheson, Superintendent

Kathy Kane, Board Secretary/School Business Administrator

Marie Goble, Treasurer

Gary Kraemer, Board Attorney

**KITTATINNY REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHTECT

HQW Architects, LLC
124 Main Street
Newton, NJ 07860

AUDIT FIRM

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

ATTORNEY

Daggett, Kraemer, Kovach & Gjelsvik
328 D Sparta Avenue
Sparta, NJ 07871

Cleary, Giacobbe, Alfieri, Jacobs, LLC

5 Ravine Drive
PO Box 533
Matawan, NJ 07747

OFFICIAL DEPOSITORIES

Sussex Bank

15 Trinity Street
Newton, NJ 07860

Lakeland Bank

250 Oak Ridge Road
Oak Ridge, NJ 07438

Financial Section

Independent Auditor's Report

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2012, on our consideration of the Kittatinny Regional 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 and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 38 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kittatinny Regional School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* ; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* , and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: August 15, 2012

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$561,576 which represents a 9.7 percent decrease from 2011.
- ◆ General revenues accounted for \$13,212,157 in revenue or 59.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$8,916,945 or 40.3 percent of total revenues of \$22,129,102.
- ◆ Total assets of governmental activities increased by \$469,130 as cash and cash equivalents increased by \$741,825, receivables decreased by \$82,292 and capital assets decreased by \$190,602.
- ◆ The School District had \$21,567,526 in expenses; only \$8,916,945 of these expenses were offset by
- ◆ Among major funds, the General Fund had \$21,181,779 in revenues and \$20,486,513 in expenditures. The General Fund's surplus balance increased \$695,266 over 2011. This increase was due to the receipt of additional unbudgeted state aid, and under spent budget appropriations in the areas of instruction, administration, maintenance, transportation, and benefits.

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 Kittatinny Regional 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 Assets 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 Kittatinny Regional School District, the General Fund is by far the most significant fund.

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets 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 2012?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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 Assets 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 Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 2,347,536	\$ 1,687,804
Capital Assets	<u>7,683,568</u>	<u>7,874,170</u>
Total Assets	<u>10,031,104</u>	<u>9,561,974</u>
Liabilities		
Long-Term Liabilities	3,322,250	3,403,019
Other Liabilities	<u>347,537</u>	<u>359,214</u>
Total Liabilities	<u>3,669,787</u>	<u>3,762,233</u>
Net Assets		
Invested in Capital Assets, Net of Debt	5,688,568	5,739,170
Restricted	1,875,720	1,387,235
Unrestricted	<u>(1,202,971)</u>	<u>(1,326,664)</u>
Total Net Assets	<u>\$ 6,361,317</u>	<u>\$ 5,799,741</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 UNAUDITED

Total assets increased \$469,130. Cash and cash equivalents increased by \$741,825, receivables decreased by \$82,292, and capital assets decreased by \$190,602. The cash increase was related budget operations due to increase state aids and underspending of budget appropriations. The receivable decrease was due to the collection of outstanding extraordinary aid from 2011. Capital assets decreased due to net depreciation charges and deletions.

Table 2 shows the changes in net assets from fiscal year 2011.

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 644,930	\$ 641,107
Operating Grants and Contributions	8,272,015	7,853,504
General Revenues:		
Property Taxes	13,038,849	12,718,781
Federal & State Aid on Capital Asset Projects		-
Investment Earnings	5,884	10,934
Other	<u>167,424</u>	<u>238,703</u>
Total Revenues	<u>22,129,102</u>	<u>21,463,029</u>
Program Expenses		
Instruction	12,336,140	12,190,328
Support Services:		
Pupils and Instructional Staff	2,598,821	2,679,531
General Administration, School Administration, Business	2,000,489	2,011,118
Operations and Maintenance of Facilities	1,991,234	1,904,939
Pupil Transportation	1,916,184	1,972,615
Transfer to Charter School	188,633	-
Business-Type Activities	456,962	496,646
Interest and Fiscal Charges	<u>79,063</u>	<u>83,964</u>
Total Expenses	<u>21,567,526</u>	<u>21,339,141</u>
 Increase in Net Assets	 <u>\$ 561,576</u>	 <u>\$ 123,888</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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 58.9 percent of revenues for governmental activities for the Kittatinny Regional School District for the fiscal year 2012.

Instruction comprises 57.2 percent of district expenses. Support services expenses make up 39.4 percent 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 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	12,336,140	7,315,268	12,190,328	\$7,397,371
Support Services:				
Pupils and Instructional Staff	2,598,821	1,521,920	2,679,531	1,649,378
General Admin., School Admin., Business	2,000,489	1,206,272	2,011,118	1,261,910
Operation and Maintenance of Facilities	1,991,234	1,200,690	1,904,939	1,195,286
Pupil Transportation	1,916,184	1,155,437	1,972,615	1,237,751
Transfer to Charter School	188,633	188,633	-	-
Business-Type Activities	456,962	(16,702)	496,646	18,870
Interest and Fiscal Charges	<u>79,063</u>	<u>79,063</u>	<u>83,964</u>	<u>83,964</u>
Total Expenses	<u>\$21,567,526</u>	<u>\$12,650,581</u>	<u>\$21,339,141</u>	<u>\$12,844,530</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.

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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 59.3 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 59.8 percent. The community, as a whole, is the primary support for the Kittatinny Regional School District.

The School District's Funds

Information about the School District's major funds starts on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$21,647,071, and expenditures of \$20,967,227. The net change in fund balance for the year was \$679,844 due to the receipt of additional unbudgeted state aid, and under spent budget appropriations in the areas of instruction, administration, maintenance, transportation, and benefits.

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 2012 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 \$19,612,741, \$403,210 over original budgeted estimates of \$19,209,531. This difference was due primarily to additional state aid of \$271,518, additional transportation revenues of \$44,583, and additional Jobs Ed grants of \$23,276.

General fund revenues exceeded expenditures by \$739,075. This increase compares to a budgeted decrease of \$240,000 and was due to revenue increases as noted above, and under spent budget appropriations in the areas of instruction, administration, maintenance, transportation, and benefits.

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Capital Assets

At the end of the fiscal year 2012, the School District had \$7,638,755 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land	\$ 144,210	\$ 144,210
Land Improvements	203,756	244,122
Buildings and Improvements	6,648,346	6,671,364
Machinery and Equipment	<u>642,443</u>	<u>765,090</u>
Totals	<u>\$ 7,638,755</u>	<u>\$ 7,824,786</u>

Overall capital assets decreased \$186,031 from fiscal year 2011 to fiscal year 2012. Increases in capital assets (primarily buildings and improvements) were offset by depreciation expenses for the year.

Major capital improvements of \$418,685 were purchased during fiscal year 2012 which were comprised of mainly the track renovation, water storage tanks, sidewalk curbing, and various equipment.

Debt Administration

At June 30, 2012, the School District had \$3,502,250 as outstanding debt. Of this amount, \$1,507,250 is for compensated absences, and \$1,995,000 is for general obligation bonds for school construction projects.

At June 30, 2012, the School District's overall legal debt margin was \$72,204,084 and the unvoted debt margin was \$70,209,084.

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

For the Future

The Kittatinny Regional School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes in light of drastic reductions in state aid over the past few years. However, the district feels at current funding levels it can maintain it's high degree of educational excellence.

Kittatinny Regional School District is primarily a residential community, with very few ratables; thus the burden is focused on homeowners to foot the tax burden.

In conclusion, the Kittatinny Regional School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the 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 Kathy Kane, School Business Administrator/Board Secretary at Kittatinny Regional School District, 77 Halsey Road, Newton, New Jersey 07860, or E-mail at kkane@krhs.net.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets 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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2012

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 654,560	\$ 137,603	\$ 792,163
Receivables, Net	288,329	511	288,840
Inventory		20,434	20,434
Restricted Assets:			
Capital Reserve Account - Cash	1,246,099		1,246,099
Capital Assets, Net (Note 6)	7,638,755	44,813	7,683,568
Total Assets	<u>9,827,743</u>	<u>203,361</u>	<u>10,031,104</u>
LIABILITIES			
Accounts Payable	34,801	5,221	40,022
Accrued Interest	36,157		36,157
Deferred Revenue	89,654	1,704	91,358
Noncurrent Liabilities (Note 7):			
Due Within One Year	180,000		180,000
Due Beyond One Year	3,322,250		3,322,250
Total Liabilities	<u>3,662,862</u>	<u>6,925</u>	<u>3,669,787</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,643,755	44,813	5,688,568
Restricted for:			
Debt Service	29,801		29,801
Other Purposes	1,845,919		1,845,919
Unrestricted	(1,354,594)	151,623	(1,202,971)
Total Net Assets	<u>\$ 6,164,881</u>	<u>\$ 196,436</u>	<u>\$ 6,361,317</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 9,493,691	\$ 105,289	\$ 3,787,098		\$ (5,601,304)	\$ (5,601,304)
Special Education	1,842,783	20,437	711,169		(1,111,177)	(1,111,177)
Other Special Instruction	25,931	288	10,007		(15,636)	(15,636)
Other Instruction	973,735	10,799	375,785		(587,151)	(587,151)
Support Services:						
Tuition	229,988				(229,988)	(229,988)
Student & Instruction Related Serv.	2,368,833	26,271	1,050,630		(1,291,932)	(1,291,932)
School Administrative Services	1,120,328	12,425	432,358		(675,545)	(675,545)
General and Business Admin. Serv.	880,161	9,761	339,673		(530,727)	(530,727)
Plant Operations and Maintenance	1,991,234	22,084	768,460		(1,200,690)	(1,200,690)
Pupil Transportation	1,916,184	21,251	739,496		(1,155,437)	(1,155,437)
Charter School	188,633				(188,633)	(188,633)
Interest on Long-Term Debt	79,063				(79,063)	(79,063)
Total Governmental Activities	21,110,564	228,605	8,214,676		(12,667,283)	(12,667,283)
Business-Type Activities:						
Food Service	406,735	364,280	57,339		\$ 14,884	14,884
Adult Education	41,325	41,889			564	564
School Store	8,902	10,156			1,254	1,254
Total Business-Type Activities	456,962	416,325	57,339	-	-	16,702
Total Primary Government	\$ 21,567,526	\$ 644,930	\$ 8,272,015		\$ (12,667,283)	\$ 16,702
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 12,833,283		\$ 12,833,283
Taxes Levied for Debt Service				205,566		205,566
Investment Earnings				5,884		5,884
Miscellaneous Income				159,057	\$ 8,367	167,424
Total General Revenues, Special Items, Extraordinary Items and Transfers				13,203,790	8,367	13,212,157
Change in Net Assets				536,507	25,069	561,576
Net Assets—Beginning (As Restated)				5,628,374	171,367	5,799,741
Net Assets—Ending				\$ 6,164,881	\$ 196,436	\$ 6,361,317

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,870,858		\$ 29,801	\$ 1,900,659
Receivables from Other Governments	182,345	\$ 105,892		288,237
Other Receivables	92			92
Interfund Receivables	13,481			13,481
TOTAL ASSETS	<u>\$ 2,066,776</u>	<u>\$ 105,892</u>	<u>\$ 29,801</u>	<u>\$ 2,202,469</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 32,044	\$ 51		\$ 32,095
Due State Government		2,706		2,706
Interfund Payable		13,481		13,481
Deferred Revenue		89,654		89,654
Total Liabilities	<u>32,044</u>	<u>105,892</u>	<u>-</u>	<u>137,936</u>
Fund Balances:				
<u>Restricted for:</u>				
Excess Surplus - Designated for Subsequent Year's Expenditures	93,374			93,374
Excess Surplus	305,754			305,754
Capital Reserve Account	1,246,099			1,246,099
<u>Assigned to:</u>				
General Fund - Designated for Subsequent Year's Expenditures	200,692			200,692
Year-End Encumbrances	269,091			269,091
Debt Service Fund			\$ 29,801	29,801
<u>Unassigned:</u>				
General Fund	(80,278)			(80,278)
Total Fund Balances	<u>2,034,732</u>		<u>29,801</u>	<u>2,064,533</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,066,776</u>	<u>\$ 105,892</u>	<u>\$ 29,801</u>	<u>\$ 2,202,469</u>

Amounts reported for *governmental activities* in the statement of net assets (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 \$20,955,410 and the accumulated depreciation is \$13,316,655

\$ 7,638,755

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

(3,502,250)

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

(36,157)

Net assets of governmental activities (Exhibit A-1)

\$ 6,164,881

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

KITTATINNY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 12,833,283		\$ 205,566	\$ 13,038,849
Transportation	228,605			228,605
Interest Earned on Capital Reserve Funds	330			330
Miscellaneous	164,611			164,611
Total - Local Sources	13,226,829	-	205,566	13,432,395
State Sources	7,519,258	\$ 8,785		7,528,043
Federal Sources	435,692	250,941		686,633
Total Revenues	21,181,779	259,726	205,566	21,647,071
EXPENDITURES				
Current:				
Regular Instruction	6,717,080	123,279		6,840,359
Special Education Instruction	1,368,378			1,368,378
Other Special Instruction	19,851			19,851
Other Instruction	745,425			745,425
Support services and undistributed costs:				
Tuition	229,988			229,988
Student and Instruction Related Services	1,620,730	136,447		1,757,177
School Administrative Services	834,062			834,062
Other Administrative Services	667,744			667,744
Plant Operations and Maintenance	1,448,762			1,448,762
Pupil Transportation	1,466,899			1,466,899
Unallocated Benefits	4,733,843			4,733,843
Transfer to Charter School	188,633			188,633
Debt Service:				
Principal			140,000	140,000
Interest and Other Charges			80,988	80,988
Capital Outlay	445,118			445,118
Total Expenditures	20,486,513	259,726	220,988	20,967,227
Excess (Deficiency) of Revenues Over Expend.	695,266		(15,422)	679,844
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-			-
Total Other Financing Sources and Uses	-		-	-
Net Change in Fund Balances	695,266	-	(15,422)	679,844
Fund Balance—July 1	1,339,466		45,223	1,384,689
Fund Balance—June 30	\$ 2,034,732		\$ 29,801	\$ 2,064,533

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

KITTATINNY REGIONAL 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, 2012**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 679,844

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	\$ (604,716)	
Capital Outlays	<u>418,685</u>	(186,031)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 140,000

In the statement of activities, compensated absences is 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. (99,231)

In the statement of activities, interest on long-term debt in the statement of statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,925

Change in Net Assets of Governmental Activities (Exhibit A-2) \$ 536,507

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

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2012

		Business-Type Activities - Enterprise Funds			
		<u>Food Service</u>	<u>Adult Education</u>	<u>School Store</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and Cash Equivalents	\$	101,602	\$ 25,546	\$ 10,455	\$ 137,603
Accounts Receivable		511			511
Interfund Receivables					-
Inventories		<u>5,371</u>	<u>-</u>	<u>15,063</u>	<u>20,434</u>
Total Current Assets		<u>107,484</u>	<u>25,546</u>	<u>25,518</u>	<u>158,548</u>
Noncurrent Assets:					
Furniture, Machinery and Equipment		179,085			179,085
Less Accumulated Depreciation		<u>(134,272)</u>	<u>-</u>	<u>-</u>	<u>(134,272)</u>
Total Noncurrent Assets		<u>44,813</u>	<u>-</u>	<u>-</u>	<u>44,813</u>
Total Assets		<u>152,297</u>	<u>25,546</u>	<u>25,518</u>	<u>203,361</u>
LIABILITIES					
Current liabilities:					
Accounts Payable		5,221			5,221
Deferred Revenue		<u>1,704</u>	<u>-</u>	<u>-</u>	<u>1,704</u>
Total Current Liabilities		<u>6,925</u>	<u>-</u>	<u>-</u>	<u>6,925</u>
Total Liabilities		<u>6,925</u>	<u>-</u>	<u>-</u>	<u>6,925</u>
NET ASSETS					
Invested in Capital Assets Net of Related Debt		44,813	-	-	44,813
Unrestricted		<u>100,559</u>	<u>25,546</u>	<u>25,518</u>	<u>151,623</u>
Total Net Assets		<u>\$ 145,372</u>	<u>\$ 25,546</u>	<u>\$ 25,518</u>	<u>\$ 196,436</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-5

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Fund			
	Food Service	Adult Education	School Store	Total Enterprise
Operating Revenues:				
Charges for Services:				
Daily Sales - Reimbursable Programs	\$ 143,029			\$ 143,029
Daily Sales - Non-Reimbursable Programs	221,251			221,251
Program Fees		41,889	10,156	52,045
Miscellaneous Income	<u>8,254</u>	<u>90</u>	<u>23</u>	<u>8,367</u>
Total Operating Revenues	<u>372,534</u>	<u>41,979</u>	<u>10,179</u>	<u>424,692</u>
Operating Expenses:				
Cost of Sales	211,129		8,347	219,476
Salaries	117,182	23,485		140,667
Employee Benefits	28,140			28,140
Purchased Property Service	15,759			15,759
Cleaning, Repair and Maintenance Services	6,554			6,554
General Supplies	18,197	17,840	555	36,592
Miscellaneous	5,202			5,202
Depreciation	<u>4,572</u>	<u>-</u>	<u>-</u>	<u>4,572</u>
Total Operating Expenses	<u>406,735</u>	<u>41,325</u>	<u>8,902</u>	<u>456,962</u>
Operating Income (Loss)	<u>(34,201)</u>	<u>654</u>	<u>1,277</u>	<u>(32,270)</u>
Nonoperating Revenues (Expenses):				
State Sources:				
State School Lunch Program	2,930			2,930
Federal Sources:				
National School Lunch Program	42,196			42,196
Food Distribution Program	<u>12,213</u>	<u>-</u>	<u>-</u>	<u>12,213</u>
Total Nonoperating Revenues (Expenses)	<u>57,339</u>	<u>-</u>	<u>-</u>	<u>57,339</u>
Income (Loss) Before Contributions and Transfers	23,138	654	1,277	25,069
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	23,138	654	1,277	25,069
Total Net Assets—Beginning	<u>122,234</u>	<u>24,892</u>	<u>24,241</u>	<u>171,367</u>
Total Net Assets—Ending	<u>\$ 145,372</u>	<u>\$ 25,546</u>	<u>\$ 25,518</u>	<u>\$ 196,436</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Food Service	Adult Education	School Store	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 373,787	\$ 41,979	\$ 10,178	\$ 425,944
Payments to Employees	(117,182)	(23,485)		(140,667)
Payments for Employee Benefits	(28,140)			(28,140)
Payments to Suppliers	(259,033)	(17,840)	(8,380)	(285,253)
Net Cash Provided by (used for) Operating Activities	(30,568)	654	1,798	(28,116)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Transfer to other funds	8,782			8,782
State Sources	3,112	-	-	3,112
Federal Sources	44,140	-	-	44,140
Net Cash Provided by (used for) Non-Capital Financing Activities	56,034	-	-	56,034
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital Contributions		-	-	-
Net Cash Provided by (used for) Capital Financing Activities	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	25,466	654	1,798	27,918
Balances—Beginning of Year	76,136	24,892	8,657	109,685
Balances—End of Year	\$ 101,602	\$ 25,546	\$ 10,455	\$ 137,603
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:				
Operating Income (Loss)	\$ (34,201)	\$ 654	\$ 1,277	(32,270)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided				
by (used for) Operating Activities:				
Depreciation and Net Amortization	4,572			4,572
Federal Commodities	12,213			12,213
(Increase) Decrease in Accounts Receivable				-
(Increase) Decrease in Inventories	190		521	711
Increase (Decrease) in Accounts Payable	(13,342)	-	-	(13,342)
Total Adjustments	3,633	-	521	4,154
Net Cash Provided by (used for) Operating Activities	\$ (30,568)	\$ 654	\$ 1,798	\$ (28,116)

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	Unemployment Compensation <u>Trust</u>	Private Scholarship <u>Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 135,459	\$ 9,763	\$ 193,297
Total Assets	\$ 135,459	\$ 9,763	\$ 193,297
LIABILITIES			
Payable to Student Groups			171,619
Payroll Deductions and Withholdings			21,678
Total Liabilities	-	-	\$ 193,297
NET ASSETS			
Held in Trust for Unemployment Claims & Other Purposes	\$ 135,459	\$ 9,763	

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>	Private Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 15,959	\$ -
Other	<u>80,000</u>	<u>-</u>
Total Contributions	<u>95,959</u>	<u>-</u>
Investment Earnings:		
Interest	<u>187</u>	<u>70</u>
Net Investment Earnings	<u>187</u>	<u>70</u>
Total Additions	<u>96,146</u>	<u>70</u>
DEDUCTIONS		
Unemployment Claims	35,640	
Scholarship Awards	<u>-</u>	<u>2,000</u>
Total Deductions	<u>35,640</u>	<u>2,000</u>
Change in Net Assets	60,506	(1,930)
Net Assets—Beginning of the Year	<u>\$ 74,953</u>	<u>\$ 11,693</u>
Net Assets—End of the Year	<u>\$ 135,459</u>	<u>\$ 9,763</u>

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

Notes to Financial Statements

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Kittatinny Regional 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 provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2011.

A. Reporting Entity:

The Kittatinny Regional School District is a Type II district located in the County of Sussex, 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 7-12. The Kittatinny Regional School District had an approximate enrollment at June 30, 2012, of 1,154 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.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 assets 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 assets 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 assets 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.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

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

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

PROPRIETARY FUNDS

The District reports the following proprietary funds:

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

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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. 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 amendments/transfers must be approved by School Board resolution and are subject to transfer limitations and approvals per P.L. 2004, c.73(S-1701). 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 recognize encumbrances as expenditures. 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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 with the District's personnel policies. Upon termination, employees are paid 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets are available.

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, 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, 2012, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Checking	\$791,711	\$338,519	\$1,130,230
	<u>\$791,711</u>	<u>\$338,519</u>	<u>\$1,130,230</u>

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$1,130,230 and the bank balance was \$1,750,158. 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, \$250,326 was covered by federal depository insurances and \$1,499,832 was covered by collateral pool.

Investments

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2012, the district's balance was \$1,246,551.

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of accounts and 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	\$161,985	\$162,016
Federal Aid	126,251	126,731
Tuition and Other	93	93
Transportation	-	0
Gross Receivable	\$288,329	288,840
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$288,329	\$288,840

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2012, consisted of the following:

Food	\$ <u>5,371</u>
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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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, 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	\$ 144,210			\$ 144,210
Total Capital Assets Not Being Depreciated	144,210			144,210
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	915,359			915,359
Buildings and Building Improvements	16,086,781	\$ 404,274		16,491,055
Machinery and Equipment	3,390,375	14,411		3,404,786
Total at Historical Cost	20,392,515	418,685		20,811,200
Less Accumulated Depreciation for:				
Land Improvements	(671,237)	(40,366)		(711,603)
Building and Improvements	(9,415,417)	(427,292)		(9,842,709)
Equipment	(2,625,285)	(137,058)		(2,762,343)
Total Accumulated Depreciation	(12,711,939)	(604,716)		(13,316,655)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,680,576	(186,031)		7,494,545
Government Activity Capital Assets, Net	\$ 7,824,786	\$ (186,031)		\$ 7,638,755

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 400,927
Special Ed Instruction	42,330
Support Services	56,239
General Administration	6,047
School Administration	23,584
Operations/Maintenance	<u>75,589</u>
Total	<u>\$ 604,716</u>

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Balance <u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/12</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$2,135,000		(\$140,000)	\$1,995,000	\$180,000
Other Liabilities:					
Compensated Absences Payable	1,408,019	\$99,231		<u>1,507,250</u>	
Total	<u>\$3,543,019</u>	<u>\$99,231</u>	<u>(\$140,000)</u>	<u>\$3,502,250</u>	<u>\$180,000</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2012, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>6/30/12</u>
Refunding Bonds	12/15/09	3.0-5.0%	7/15/21	\$ 1,995,000
Total Bonds				\$ 1,995,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2012, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 180,000	\$ 76,188	\$ 256,188
2014	180,000	70,788	250,788
2015	190,000	64,288	254,288
2016	195,000	56,587	251,587
2017	200,000	48,687	248,687
2018	200,000	40,688	240,688
2019	205,000	32,587	237,587
2020	210,000	23,237	233,237
2021	215,000	14,494	229,494
2022	220,000	5,500	225,500
	\$ 1,995,000	\$ 433,044	\$ 2,428,044

The 2009 School Bonds were issued to advance refund a portion (\$2,132,000) of the 2001 School Bonds. The balance outstanding on the refunded 2001 School Bonds was \$-0- at June 30, 2012.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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, all 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.

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.

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:66 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 55 and are generally determined to be 1/55 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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS (Continued)

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

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 and N.J.S.A. 18:66, and 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 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	\$161,657	100 %	-0-
6/30/2011	\$156,204	100 %	-0-
6/30/2010	\$116,326	100 %	-0-

<u>Three-Year Trend Information for TPAF</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	-0-	100 %	-0-
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100 %	-0-

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$911,145 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 \$701,702 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: 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 sick leave in varying amounts under the District's personnel agreement. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and amounts are payable at predetermined values upon retirement in the state pension system.

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$13,481	
Special Revenue Fund		\$13,481
	\$13,481	\$13,481

The interfund payable in the special revenue fund is due to the general fund for cash advances to cover cash deficit caused by federal grant reimbursements that have not yet been received.

NOTE 12: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$80,187	\$15,959	\$35,640	\$135,459
2010-2011	\$20,221	\$16,242	\$49,197	\$74,953
2009-2010	\$20,750	\$12,118	\$15,738	\$87,687

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13: CONTINGENT LIABILITIES - (Continued)

LITIGATION

The Board is involved in claims and lawsuits regarding an alleged contract with the Byram Township School District for the joint purchase of heating oil for the 2007-2008 school year. The finance exposure of the pending settlement is approximately \$17,000 and will not impair the district's operations.

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Kittatinny Regional School District Board of Education during fiscal year 2004-2005, 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:23A-14.1(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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance July 1, 2011	\$ 915,169
Interest earnings	330
Deposits (PL 2007 c.62 (A1)) - June Resolution	525,000
Withdrawals (Budget)	<u>(194,400)</u>
Ending balance June 30, 2012	<u>\$ 1,246,099</u>

NOTE 15: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,034,732 General Fund fund balance at June 30, 2012, \$399,128 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$93,374 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013); \$200,692 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; \$1,246,099 is reserved in the Capital Reserve Account; \$269,091 is reserved for encumbrances; and (\$80,278) is unreserved and undesignated.

Debt Service Fund - Of the \$29,801 Debt Service fund balance at June 30, 2012, \$29,801 is anticipated to be included as anticipated revenue for the year ending June 30, 2014.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 is \$305,754.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 12,833,283		\$ 12,833,283	\$ 12,833,283	
Transportation	182,500	\$ 44,583	227,083	228,605	\$ 1,522
Interest Earned on Capital Reserve Funds	500		500	330	(170)
Miscellaneous	146,000		146,000	164,611	18,611
Total - Local Sources	13,162,283	44,583	13,206,866	13,226,829	19,963
State Sources:					
Equalization Aid	3,200,580		3,200,580	3,200,580	
Transportation Aid	625,166		625,166	625,166	
Special Education Aid	565,461		565,461	565,461	
Security Aid	78,183		78,183	78,183	
Adjustment Aid	1,115,921	200,692	1,316,613	1,316,613	
Extraordinary Aid	80,000		80,000	150,826	70,826
Other State Aid				13,391	13,391
TPAF Pension (On-Behalf - Non-Budgeted)				911,145	911,145
TPAF Social Security (Reimbursed - Non-Budgeted)				701,702	701,702
Total State Sources	5,665,311	200,692	5,866,003	7,563,067	1,697,064
Federal Sources:					
Education Jobs Grant	121,937	23,276	145,213	141,138	(4,075)
Impact Aid	260,000		260,000	294,554	34,554
Total Federal Sources	381,937	23,276	405,213	435,692	30,479
TOTAL REVENUES	19,209,531	268,551	19,478,082	21,225,588	1,747,506

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<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:					
Grades 6-8 - Salaries of Teachers	2,004,653	139,817	2,144,470	2,143,146	1,324
Grades 9-12 - Salaries of Teachers	4,417,086	(241,843)	4,175,243	4,175,243	
Regular Programs - Home Instruction:					
Salaries of Teachers	25,000	(5,084)	19,916	19,916	
Purchased Professional-Educational Services	10,000	(4,654)	5,346	5,346	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	1,000		1,000	675	325
Purchased Technical Services	24,000		24,000	22,264	1,736
Other Purchased Services (400-500 series)	87,000	19,190	106,190	92,485	13,705
General Supplies	158,632	127,583	286,215	212,077	74,138
Textbooks	55,850	(4,742)	51,108	44,822	6,286
Other Objects	5,374	(3,988)	1,386	1,106	280
TOTAL REGULAR PROGRAMS - INSTRUCTION	6,788,595	26,279	6,814,874	6,717,080	97,794
SPECIAL EDUCATION - INSTRUCTION					
Special Education - Cognitive - Mild:					
Salaries of Teachers	132,255		132,255	132,255	
General Supplies	4,400	(791)	3,609	1,245	2,364
Total Special Education - Cognitive - Mild	136,655	(791)	135,864	133,500	2,364
Special Education - Multiple Disabilities:					
Salaries of Teachers	76,270		76,270	76,270	
General Supplies	2,880	(1,384)	1,496	1,272	224
Total Special Education - Multiple Disabilities	79,150	(1,384)	77,766	77,542	224

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<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	1,066,520	(5,870)	1,060,650	999,907	60,743
Other Salaries for Instruction	149,720	3,337	153,057	153,104	(47)
General Supplies	2,800	(857)	1,943	1,907	36
Textbooks	750	3,555	4,305	2,418	1,887
Total Resource Room/Resource Center	1,219,790	165	1,219,955	1,157,336	62,619
TOTAL SPECIAL EDUCATION - INSTRUCTION					
	1,435,595	(2,010)	1,433,585	1,368,378	65,207
Bilingual Education - Instruction:					
Salaries of Teachers	21,080		21,080	19,780	1,300
General Supplies	320	48	368	71	297
Total Bilingual Education - Instruction	21,400	48	21,448	19,851	1,597
School-Spon. Co/Extra Curricular Actvts. - Inst.:					
Salaries	180,531	(7,361)	173,170	172,418	752
Purchased Services (300-500 series)	31,900	12,269	44,169	34,611	9,558
Supplies and Materials	6,400	4,791	11,191	6,337	4,854
Other Objects	6,500	(63)	6,437	4,532	1,905
Total School-Spon. Cocurricular Actvts. - Inst.	225,331	9,636	234,967	217,898	17,069
School-Spon. Athletics - Instruction:					
Salaries	375,554		375,554	374,825	729
Purchased Services (300-500 series)	67,500	(3,179)	64,321	47,911	16,410
Supplies and Materials	48,000	(696)	47,304	42,484	4,820
Other Objects	10,000	3,275	13,275	13,275	
Total School-Spon. Athletics - Inst.	501,054	(600)	500,454	478,495	21,959
Before/After School					
Salaries of Teachers		2,309	2,309	2,309	
Total Before/After School		2,309	2,309	2,309	

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Summer School - Instruction:					
Salaries of Teachers	3,000	1,850	4,850	4,850	
Total Summer School - Instruction	<u>3,000</u>	<u>1,850</u>	<u>4,850</u>	<u>4,850</u>	
Community Services Programs:					
Salaries	50,000	(900)	49,100	41,873	7,227
Total Community Services Programs	<u>50,000</u>	<u>(900)</u>	<u>49,100</u>	<u>41,873</u>	<u>7,227</u>
TOTAL INSTRUCTION	<u>9,024,975</u>	<u>36,612</u>	<u>9,061,587</u>	<u>8,850,734</u>	<u>210,853</u>
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Conty Voc. School Dist.-Regular	70,300	190	70,490	70,490	
Tuition to Private Schools for the Disabled-Within State	132,942	26,556	159,498	159,498	
Tuition - Other	87,058	(81,522)	5,536		5,536
Total Instruction	<u>290,300</u>	<u>(54,776)</u>	<u>235,524</u>	<u>229,988</u>	<u>5,536</u>
Attendance and Social Work:					
Salaries	12,500		12,500	12,500	
Supplies and Materials	160		160		160
Total Attendance and Social Work	<u>12,660</u>		<u>12,660</u>	<u>12,500</u>	<u>160</u>
Health Services:					
Salaries	90,470	(8,500)	81,970	81,970	
Supplies and Materials	2,400	29	2,429	2,100	329
Total Health Services	<u>92,870</u>	<u>(8,471)</u>	<u>84,399</u>	<u>84,070</u>	<u>329</u>
Other Supp. Services Students-Related Services:					
Salaries	154,450	240	154,690	154,690	
Purchased Professional - Educational Services	112,300	16,562	128,862	108,772	20,090
Supplies and Materials	800		800	500	300
Total Other Supp. Services Students-Related Services	<u>267,550</u>	<u>16,802</u>	<u>284,352</u>	<u>263,962</u>	<u>20,390</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Extra Services:					
Salaries	104,320	10,975	115,295	53,590	61,705
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	470,558	(15)	470,543	460,458	10,085
Salaries of Secretarial and Clerical Assistants	54,500		54,500	54,500	
Purchased Professional - Educational Services	1,000	(1,000)			
Other Purchased Prof. and Tech Services	9,900	525	10,425	10,425	
Other Purchased Services (400-500 series)	4,250	(494)	3,756	3,317	439
Supplies and Materials	6,000	(111)	5,889	4,484	1,405
Other Objects	1,000	73	1,073	150	923
Total Other Supp. Services Students-Regular	547,208	(1,022)	546,186	533,334	12,852
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	262,654	(150)	262,504	230,274	32,230
Salaries of Secretarial and Clerical Assistants	30,150		30,150	30,150	
Other Purchased Prof. and Tech. Services	2,500		2,500	500	2,000
Misc. Pur Serv (400-500 series O/than Resid Costs)	500		500		500
Supplies and Materials	3,000	(356)	2,644	2,644	
Other Objects	100	150	250	250	
Total Other Supp. Services Students-Special	298,904	(356)	298,548	263,818	34,730
Improvement of Instruction Services :					
Salaries of Supervisor of Instruction	178,458	849	179,307	178,854	453
Salaries of Other Professional Staff	1,125		1,125		1,125
Salaries of Secretarial and Clerical Assistants	4,050		4,050	4,050	
Purchased Professional-Educational Services	5,500		5,500	3,022	2,478
Other Purchased Services (400-500 series)	5,500	(367)	5,133	1,042	4,091
Supplies and Materials	3,500		3,500	1,926	1,574
Total Improvement of Instruction Services	198,133	482	198,615	188,894	9,721
Educational Media Services/School Library:					
Salaries	115,645	16,375	132,020	132,020	
Salaries of Technology Coordinator	41,808	33,722	75,530	75,530	
Supplies and Materials	7,280	256	7,536	7,464	72
Total Educational Media Services/School Library	164,733	50,353	215,086	215,014	72

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Instructional Staff Training Services:					
Salaries of Other Professional Staff	5,000	548	5,548	5,548	
Supplies and Materials	200	(200)			
Total Instructional Staff Training Services	5,200	348	5,548	5,548	
Supp. Services - General Administration:					
Salaries	212,686	12,781	225,467	219,510	5,957
Legal Services	20,000	4,375	24,375	8,877	15,498
Audit Fees	23,500	(894)	22,606	21,960	646
Other Professional Services	5,000	35,220	40,220	31,020	9,200
Communications/Telephone	45,500	6,098	51,598	50,181	1,417
BOE Other Purchased Services	250		250		250
Other Purchased Services (400-500 series)	67,500	898	68,398	60,592	7,806
General Supplies	2,500	1,256	3,756	2,751	1,005
BOE In-House Training/Meeting Supplies	200		200		200
Judgements		63,277	63,277	45,000	18,277
Miscellaneous Expenditures	13,300	(103)	13,197	5,859	7,338
BOE Membership Dues and Fees	19,000	(588)	18,412	17,058	1,354
Total Supp. Services - General Administration	409,436	122,320	531,756	462,808	68,948
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	318,053		318,053	318,053	
Salaries of Other Professional Staff	328,286	(6,767)	321,519	320,129	1,390
Salaries of Secretarial and Clerical Assistants	145,447	7,721	153,168	153,168	
Purchased Professional and Technical Services	3,000		3,000	2,260	740
Other Purchased Services (400-500 series)	2,000	(1,345)	655		655
Supplies and Materials	17,000	(4,763)	12,237	11,157	1,080
Other Objects	22,000	7,414	29,414	29,295	119
Total Support Services - School Administration	835,786	2,260	838,046	834,062	3,984
Central Services:					
Salaries	197,429	(727)	196,702	184,060	12,642
Misc. Purchased Services (400-500 series)	4,250		4,250	2,890	1,360
Supplies and Materials	5,000	761	5,761	5,761	
Miscellaneous Expenditures	4,500	(761)	3,739	3,511	228
Central Services	211,179	(727)	210,452	196,222	14,230

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Admin. Information Technology:					
Salaries	18,000	(1,917)	16,083	1,917	14,166
Purchased Technical Services	10,000	727	10,727	6,797	3,930
Admin. Information Technology	28,000	(1,190)	26,810	8,714	18,096
Required Maintenance for School Facilities:					
Salaries	161,601	6,591	168,192	159,196	8,996
Cleaning, Repair, and Maintenance Services	66,450	20,710	87,160	64,501	22,659
General Supplies	20,000	13,016	33,016	28,152	4,864
Total Required Maintenance for School Facilities	248,051	40,317	288,368	251,849	36,519
Other Operations and Maintenance of Plant:					
Salaries	385,763	9,964	395,727	372,924	22,803
Purchased Professional and Technical Services	48,500	3,098	51,598	43,578	8,020
Cleaning, Repair and Maintenance Services	48,000	(5,504)	42,496	38,221	4,275
Insurance	39,000		39,000	39,000	
General Supplies	69,500	46,033	115,533	92,641	22,892
Energy (Natural Gas)	1,000		1,000	163	837
Energy (Electricity)	415,840	(52,922)	362,918	310,179	52,739
Energy (Oil)	195,000	(8,199)	186,801	168,160	18,641
Other Objects	2,500		2,500	1,550	950
Total Other Operations and Maintenance of Plant	1,205,103	(7,530)	1,197,573	1,066,416	131,157
Care and Upkeep of Grounds:					
Salaries	100,510		100,510	98,908	1,602
Cleaning, Repair and Maintenance Services	18,000	2,755	20,755	16,040	4,715
Supplies and Materials	15,200	4,297	19,497	15,549	3,948
Total Care and Upkeep of Grounds	133,710	7,052	140,762	130,497	10,265

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salary for Pupil Trans. (Bet. Home & Sch) - Reg.	66,001		66,001	64,110	1,891
Salary for Pupil Trans. (Other than Bet. Home & Sch)	55,000	(1,687)	53,313	46,413	6,900
Other Purchased Professional and Technical Services	3,500		3,500	2,475	1,025
Cleaning, Repair and Maintenance Services	8,000	8,839	16,839	16,839	
Contract Services - Aid in Lieu of Payments-Nonpub.Sch.	20,500		20,500	16,747	3,753
Contract Services - (Between Home and School) - Vendors	1,110,341	(57,980)	1,052,361	992,923	59,438
Contract Services (Other than Between Home & School)-Vendors	88,381	510	88,891	72,887	16,004
Contract Services - (Between Home and School) - Joint Agreements	134,000	(6,410)	127,590	108,280	19,310
Contract Services - (Special Ed. Students) - Vendors	100,000	(4,003)	95,997	73,879	22,118
Contract Services - (Special Ed. Students) - Joint Agreements	60,000	(2,110)	57,890	49,251	8,639
Miscellaneous Purchased Services - Transportation	1,000	(100)	900	294	606
General Supplies	8,500	12,865	21,365	21,365	
Other Objects	1,200	336	1,536	1,436	100
Total Student Transportation Services	1,656,423	(49,740)	1,606,683	1,466,899	139,784
UNALLOCATED BENEFITS					
Social Security Contributions	208,500	25,071	233,571	222,706	10,865
Other Retirement Contributions - Regular	168,000	(5,717)	162,283	161,657	626
Unemployment Compensation	20,000	60,000	80,000	80,000	
Workmen's Compensation	142,545	(407)	142,138	134,850	7,288
Health Benefits	2,660,385	(159,856)	2,500,529	2,366,082	134,447
Tuition Reimbursement	50,000	8,118	58,118	58,118	
Other Employee Benefits	125,000		125,000	97,583	27,417
TOTAL UNALLOCATED BENEFITS	3,374,430	(72,791)	3,301,639	3,120,996	180,643
On-behalf TPAF pension Contributions (non-budgeted)				911,145	(911,145)
Reimbursed TPAF Social Security Contributions (non-budgeted)				701,702	(701,702)
TOTAL ON-BEHALF CONTRIBUTIONS				1,612,847	(1,612,847)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	3,374,430	(72,791)	3,301,639	4,733,843	(1,432,204)
TOTAL UNDISTRIBUTED EXPENDITURES	10,083,996	54,306	10,138,302	11,002,028	(863,726)

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<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	19,108,971	90,918	19,199,889	19,852,762	(652,873)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures-Instruction		2,873	2,873	2,873	
Undistributed Expenditures-Operation & Maint. of Plant Serv.		229,575	229,575	208,795	20,780
Undist. Expend -Student Trans. - Non-Inst. Equip.					
Total Equipment		232,448	232,448	211,668	20,780
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	10,500	(10,500)			
Construction Services	15,000	194,890	209,890	209,890	
Other Objects	23,560		23,560	23,560	
Total Facilities Acquisition and Construction Services	49,060	184,390	233,450	233,450	
TOTAL CAPITAL OUTLAY	49,060	416,838	465,898	445,118	20,780
Transfer of Funds to Charter Schools	141,000	58,396	199,396	188,633	10,763
TOTAL EXPENDITURES	19,299,031	566,152	19,865,183	20,486,513	(621,330)

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,500)	(297,601)	(387,101)	739,075	1,126,176
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to Capital Projects-Capital Reserve	(150,000)	150,000			
Total Transfer Out	(150,000)	150,000			
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(239,500)	(147,601)	(387,101)	739,075	1,126,176
Fund Balance, July 1	1,869,947		1,869,947	1,869,947	
Fund Balance, June 30	\$ 1,630,447	(147,601)	\$ 1,482,846	\$ 2,609,022	\$ 1,126,176
Recapitulation:					
Restricted for:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 93,374	
Excess Surplus				305,754	
Capital Reserve				1,246,099	
Assigned to:					
Year-End Encumbrances				269,091	
Designated for Subsequent Year's Expenditures				200,692	
Unassigned:					
Unrestricted Fund Balance				<u>494,012</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				2,609,022	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(574,290)</u>	
Fund Balance per Governmental Funds(GAAP Basis B-2)				<u>\$ 2,034,732</u>	

**KITTATINNY REGIONAL SCHOOL DISTRICT
 APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
 GENERAL FUND**

Exhibit C-1b

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
2540	Grades 9-12 - Salaries of Teachers	11-140-100-101	4,131,256	43,987	4,175,243
6701	Salaries	11-000-217-100	22,779	30,811	53,590
6850	Salaries	11-000-222-100	107,082	24,938	132,020
7621	Salaries	11-000-261-100	142,278	16,918	159,196
7626	Salaries	11-000-262-100	356,006	16,918	372,924
12620	Social Security Contributions	11-000-291-220	222,706		222,706
TOTAL EXPENDITURES			4,982,107	133,572	5,115,679

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources	\$ 7,000	\$ 4,491	\$ 11,491	\$ 8,785	\$ (2,706)
Federal Sources	230,000	104,858	334,858	251,381	(83,477)
Total Revenues	237,000	109,349	346,349	260,166	(86,183)
EXPENDITURES:					
Instruction					
Salaries of Teachers		84,234	84,234	49,234	35,000
Other Salaries		61,800	61,800	61,800	
General Supplies	158,100	(150,193)	7,907	6,810	1,097
Textbooks	1,750	(332)	1,418	1,418	
Total Instruction	159,850	(4,491)	155,359	119,262	36,097
Support Services					
Salaries of Program Directors		10,000	10,000	10,000	
Salaries of Other Professional Staff	41,900	22,520	64,420	42,498	21,922
Salaries of Secretarial and Clerial Staff		9,300	9,300	9,300	
Other Salaries		28,534	28,534	14,334	14,200
Personal Services - Employee Benefits		5,600	5,600	4,816	784
Purchased Professional - Ed. Serv.	2,750	49,589	52,339	48,634	3,705
Other Purchased Professional Services	2,500	13,123	15,623	10,039	5,584
Travel		1,250	1,250	106	1,144
Supplies and Materials	30,000	(26,076)	3,924	1,177	2,747
Total Support Services	77,150	113,840	190,990	140,904	50,086
Total Expenditures	237,000	109,349	346,349	260,166	86,183
Total Outflows	\$ 237,000	\$ 109,349	\$ 346,349	\$ 260,166	\$ 86,183
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				NONE	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				NONE	
Fund Balance per Governmental Funds(GAAP Basis)				<u>NONE</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2012

**Note A - Explanation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$21,225,588	\$260,166
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	5,735
Current Year	N/A	(6,175)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	530,481	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(574,290)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$21,181,779</u>	<u>\$ 259,726</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$20,486,513	\$260,166
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	5,735
Current Year	<u>N/A</u>	<u>(6,175)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$20,486,513</u>	<u>\$259,726</u>

OTHER SUPPLEMENTARY INFORMATION

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

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2012

	Title I	Title II (A)	IDEA Part B	Ch 192/193 Compens Ed	Ch 192/193 Exam	Ch 192/193 Suppl Inst	Non-Public Textbooks	Non-Public Nursing	Totals
REVENUES									
State Sources				\$ 1,522	\$ 2,417	\$ 1,403	\$ 1,418	\$ 2,025	\$ 8,785
Federal Sources	\$ 18,030	\$ 20,533	\$ 212,818						251,381
TOTAL REVENUES	18,030	20,533	212,818	1,522	2,417	1,403	1,418	2,025	260,166
EXPENDITURES:									
Instruction:									-
Salaries of Teachers			49,234						49,234
Other Salaries			61,800						61,800
Purchased Prof. & Technical Serv.									-
Tuition									-
General Supplies		2,500	4,310						6,810
Textbooks							1,418		1,418
Total Instruction		2,500	115,344				1,418		119,262
Support Services:									
Salaries of Program Directors			10,000						10,000
Salaries of Other Professional Staff	11,144	18,033	13,321						42,498
Salaries of Secretarial and Clerial Staff			9,300						9,300
Other Salaries			14,334						14,334
Personal Services - Employee Benefits			4,816						4,816
Purchased Professional - Ed. Serv.	5,709		40,000	1,522		1,403			48,634
Other Purchased Professional Services			5,597		2,417			2,025	10,039
Travel			106						106
Supplies and Materials	1,177								1,177
Total Support Services	18,030	18,033	97,474	1,522	2,417	1,403		2,025	140,904
TOTAL EXPENDITURES	18,030	20,533	212,818	1,522	2,417	1,403	1,418	2,025	260,166
Total Outflows	\$ 18,030	\$ 20,533	\$ 212,818	\$ 1,522	\$ 2,417	\$ 1,403	\$ 1,418	\$ 2,025	\$ 260,166
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)									

**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.

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

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

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

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

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	PRIVATE PURPOSE SCHOLORSHIP TRUST	AGENCY FUNDS		TOTALS
			STUDENT ACTIVITY	PAYROLL AGENCY	
ASSETS:					
Cash and Cash Equivalents	\$135,459	\$9,763	\$ 171,619	\$ 21,678	\$ 338,519
TOTAL ASSETS	\$135,459	\$9,763	\$ 171,619	\$ 21,678	\$ 338,519
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings				\$ 21,678	21,678
Payable to Student Groups			\$ 171,619		171,619
Total Liabilities			171,619	21,678	193,297
NET ASSETS					
Held in Trust for Unemployment					
Claims and Other Purposes	\$135,459	\$9,763			\$ 145,222
TOTAL LIABILITIES AND NET ASSETS	\$135,459	\$9,763	\$ 171,619	\$ 21,678	\$ 338,519

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	PRIVATE PURPOSE SCHOLARSHIP <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS			
Contributions:			
Plan Member	\$15,959		\$15,959
Employer	80,000		80,000
Total Contributions	<u>95,959</u>	-	<u>95,959</u>
Investment Earnings:			
Interest	187	\$70	257
Net Investment Earnings	<u>187</u>	<u>70</u>	<u>257</u>
Total Additions	<u>96,146</u>	<u>70</u>	<u>96,216</u>
DEDUCTIONS			
Unemployment Claims	35,640		35,640
Scholarships Awarded		2,000	2,000
Total Deductions	<u>35,640</u>	<u>2,000</u>	<u>37,640</u>
Change in Net Assets	60,506	(1,930)	58,576
Net Assets—Beginning of the Year	\$74,953	\$11,693	\$86,646
Net Assets—End of the Year	<u>\$135,459</u>	<u>\$9,763</u>	<u>145,222</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-3

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>BALANCE</u> <u>July 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2012</u>
High School Activity Account	\$ 179,985	\$ 559,145	\$ 572,457	\$ 166,673
High School Athletic Account	6,079	45,850	46,983	4,946
	<u>\$ 186,064</u>	<u>\$ 604,995</u>	<u>\$ 619,440</u>	<u>\$ 171,619</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>BALANCE</u> July 1, 2011	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2012
ASSETS:				
Cash and Cash Equivalents	\$ 97,877	\$ 13,242,224	\$ 13,318,423	\$ 21,678
Total Assets	\$ 97,877	\$ 13,242,224	\$ 13,318,423	\$ 21,678
LIABILITIES:				
Accrued Salaries and Wages		\$ 7,835,302	\$ 7,835,146	\$ 156
Payroll Deductions and Withholdings	\$ 97,877	5,406,922	5,483,277	21,522
Total Liabilities	\$ 97,877	\$ 13,242,224	\$ 13,318,423	\$ 21,678

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
**SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Exhibit I-1

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2011</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunded School Bonds	12/15/09	\$ 2,135,000	07/15/12	\$ 180,000	3.00%	\$ 2,135,000	\$ 140,000	\$ 1,995,000
			07/15/13	180,000	3.00%			
			07/15/14	190,000	4.00%			
			07/15/15	195,000	4.00%			
			07/15/16	200,000	4.00%			
			07/15/17	200,000	4.00%			
			07/15/18	205,000	4.00%			
			07/15/19	210,000	5.00%			
			07/15/20	215,000	3.25%			
			07/15/21	220,000	5.00%			
Total						\$ 2,135,000	\$ 140,000	\$ 1,995,000

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 205,566		\$ 205,566	\$ 205,566	
Total - Local Sources	205,566		205,566	205,566	
TOTAL REVENUES	205,566		205,566	205,566	
EXPENDITURES:					
Regular Debt Service:					
Interest	80,988		80,988	80,988	-
Redemption of Principal	140,000		140,000	140,000	-
Total Regular Debt Service	220,988		220,988	220,988	
TOTAL EXPENDITURES	220,988		220,988	220,988	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,422)	-	(15,422)	(15,422)	-
Fund Balance, July 1	15,422		15,422	45,223	\$ 29,801
Fund Balance, June 30	-	-	-	\$ 29,801	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Kittatinny Regional 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.	58-63
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.	64-79
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.	80-83
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.	84-85
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.	86-90

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

Kittatinny Regional School District
Net Assets by Component,
Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2003		2004		2005		2006		Fiscal Year Ending June 30,		2007		2008		2009		2010		2011		2012		
Governmental activities																							
Invested in capital assets, net of related debt	\$	10,576,231	\$	7,903,803	\$	7,777,521	\$	7,359,756	\$	9,519,294	\$	6,734,212	\$	6,382,633	\$	5,946,712	\$	5,689,786	\$	5,643,755			
Restricted		510,573		788,437		727,862		729,363		127,193		923,949		1,805,666		1,183,510		1,387,235		1,875,720			
Unrestricted		(267,421)		(222,692)		(591,055)		(683,025)		1,262,296		(599,257)		(1,646,513)		(1,375,414)		(1,448,647)		(1,354,594)			
Total governmental activities net assets	\$	10,819,383	\$	8,469,548	\$	7,914,328	\$	7,406,094	\$	10,908,783	\$	7,058,904	\$	6,541,786	\$	5,754,808	\$	5,628,374	\$	6,164,881			
Business-type activities																							
Invested in capital assets, net of related debt	\$	21,240	\$	17,990	\$	14,740	\$	11,541	\$	8,646	\$	5,891	\$	27,217	\$	53,956	\$	49,384	\$	44,813			
Restricted																							
Unrestricted		91,319		78,233		71,838		73,414		163,046		127,603		137,352		128,569		121,983		151,623			
Total business-type activities net assets	\$	112,559	\$	96,223	\$	86,578	\$	84,955	\$	171,692	\$	133,494	\$	164,569	\$	182,525	\$	171,367	\$	196,436			
District-wide																							
Invested in capital assets, net of related debt	\$	10,597,471	\$	7,921,793	\$	7,792,261	\$	7,371,297	\$	9,527,940	\$	6,740,103	\$	6,409,850	\$	6,000,668	\$	5,739,170	\$	5,688,568			
Restricted		510,573		788,437		727,862		729,363		127,193		923,949		1,805,666		1,183,510		1,387,235		1,875,720			
Unrestricted		(176,102)		(144,459)		(519,217)		(609,611)		1,425,342		(471,654)		(1,509,161)		(1,246,845)		(1,326,664)		(1,202,971)			
Total district net assets	\$	10,931,942	\$	8,565,771	\$	8,000,906	\$	7,491,049	\$	11,080,475	\$	7,192,398	\$	6,706,355	\$	5,937,333	\$	5,799,741	\$	6,361,317			

Source: CAFR Schedule A-1

Kittatinny Regional School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2003		2004		2005		2006		Fiscal Year Ending June 30,		2007		2008		2009		2010		2011		2012	
Expenses																						
Governmental activities																						
Instruction																						
Regular	\$ 7,886,743	\$ 8,031,588	\$ 8,459,394	\$ 8,925,242	\$ 9,584,571	\$ 9,278,095	\$ 9,571,732	\$ 9,104,052	\$ 9,429,486	\$ 9,493,691												
Special education	1,265,957	1,616,632	1,683,184	1,743,885	1,680,138	1,800,392	1,668,975	1,799,222	1,782,354	1,842,783												
Other instruction	734,537	763,938	732,307	936,195	963,544	1,012,412	1,054,527	1,074,224	978,488	999,666												
Support Services:																						
Tuition	423,387	479,531	597,770	401,102	614,743	569,022	494,903	423,903	351,394	229,988												
Student & instruction related services	1,882,825	1,879,232	1,803,316	1,970,081	2,098,459	2,025,876	2,423,998	2,345,639	2,328,137	2,368,833												
School administrative services	772,481	813,421	999,858	1,091,916	1,176,241	1,158,146	1,185,959	1,038,130	1,166,109	1,120,328												
General administrative services	833,773	845,310	845,921	1,197,319	853,299	881,275	825,493	805,324	845,009	880,161												
Plant operations and maintenance	1,343,342	1,371,117	1,489,445	1,461,918	1,614,699	1,698,137	1,722,222	1,840,573	1,904,939	1,991,234												
Pupil transportation	1,442,865	1,478,366	1,563,072	1,533,955	1,721,885	1,833,592	1,794,127	1,976,588	1,972,615	1,916,184												
Transfer to Charter School	16,120	16,411	81,442	82,253	78,752	52,530	171,264	205,399	-	188,633												
Interest on long-term debt	208,026	144,282	138,667	132,826	126,761	120,470	113,739	43,634	83,964	79,063												
Total governmental activities expenses	<u>16,810,056</u>	<u>17,439,828</u>	<u>18,394,376</u>	<u>19,476,692</u>	<u>20,513,092</u>	<u>20,429,947</u>	<u>21,026,939</u>	<u>20,656,688</u>	<u>20,842,495</u>	<u>21,110,564</u>												
Business-type activities:																						
Food service	472,896	518,032	537,345	493,457	501,314	430,754	418,999	400,130	394,992	406,735												
Adult Education	64,396	73,701	63,142	55,405	49,834	54,110	57,607	48,385	88,966	41,325												
School Store	13,696	13,916	11,482	9,040	3,584	8,773	10,826	10,113	12,688	8,902												
Total business-type activities expense	<u>550,988</u>	<u>605,649</u>	<u>611,969</u>	<u>557,902</u>	<u>554,732</u>	<u>493,637</u>	<u>487,432</u>	<u>458,628</u>	<u>496,646</u>	<u>456,962</u>												
Total district expenses	<u>\$ 17,361,044</u>	<u>\$ 18,045,477</u>	<u>\$ 19,006,345</u>	<u>\$ 20,034,594</u>	<u>\$ 21,067,824</u>	<u>\$ 20,923,584</u>	<u>\$ 21,514,371</u>	<u>\$ 21,115,316</u>	<u>\$ 21,339,141</u>	<u>\$ 21,567,526</u>												
Program Revenues																						
Governmental activities:																						
Charges for services:																						
Instruction (regular & special education)	\$ 226,107	\$ 177,641	\$ 196,760	\$ 196,489	\$ 249,663	\$ 344,347	\$ 433,618	\$ 209,091	\$ 216,095	\$ 228,605												
Operating grants and contributions	7,170,267	7,815,816	7,893,783	8,352,148	8,900,891	9,012,436	7,948,680	7,461,368	7,800,740	8,214,676												
Total governmental activities program revenues	<u>7,396,374</u>	<u>7,993,457</u>	<u>8,090,543</u>	<u>8,548,637</u>	<u>9,150,554</u>	<u>9,356,783</u>	<u>8,382,298</u>	<u>7,670,459</u>	<u>8,016,835</u>	<u>8,443,281</u>												
Business-type activities:																						
Charges for services																						
Food service	424,706	455,339	481,297	446,908	452,461	430,235	387,403	361,453	359,811	364,280												
Adult Education	64,290	71,069	64,914	61,673	56,173	59,658	70,501	46,461	54,578	41,889												
School Store	12,946	15,381	13,345	8,991	6,854	10,527	10,021	8,406	10,623	10,156												
Operating grants and contributions	35,999	45,825	41,146	36,562	31,858	40,655	48,693	51,594	52,764	57,339												
Total business type activities program revenues	<u>537,941</u>	<u>587,614</u>	<u>600,702</u>	<u>554,134</u>	<u>547,346</u>	<u>541,075</u>	<u>516,618</u>	<u>467,914</u>	<u>477,776</u>	<u>473,664</u>												
Total district program revenues	<u>\$ 7,934,315</u>	<u>\$ 8,581,071</u>	<u>\$ 8,691,245</u>	<u>\$ 9,102,771</u>	<u>\$ 9,697,900</u>	<u>\$ 9,897,858</u>	<u>\$ 8,898,916</u>	<u>\$ 8,138,373</u>	<u>\$ 8,494,611</u>	<u>\$ 8,916,945</u>												
Net (Expense)/Revenue																						
Governmental activities	\$ (9,413,682)	\$ (9,446,371)	\$(10,303,833)	\$(10,928,055)	\$(11,362,538)	\$(11,073,164)	\$(12,644,641)	\$(12,986,229)	\$(12,825,660)	\$(12,667,283)												
Business-type activities	(13,047)	(18,035)	(11,267)	(3,768)	(7,386)	47,438	29,186	9,286	(18,870)	16,702												
Total district-wide net expense	<u>\$ (9,426,729)</u>	<u>\$ (9,464,406)</u>	<u>\$(10,315,100)</u>	<u>\$(10,931,823)</u>	<u>\$(11,369,924)</u>	<u>\$(11,025,726)</u>	<u>\$(12,615,455)</u>	<u>\$(12,976,943)</u>	<u>\$(12,844,530)</u>	<u>\$(12,650,581)</u>												

Kittatinny Regional School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2003		2004		2005		2006		Fiscal Year Ending June 30,		2007		2008		2009		2010		2011		2012		
General Revenues and Other Changes in Net Assets																							
Governmental activities:																							
Property taxes levied for general purposes, net	\$	8,545,464	\$	9,229,101	\$	9,401,812	\$	10,025,365	\$	10,666,693	\$	11,266,127	\$	11,805,817	\$	12,046,554	\$	12,514,812	\$	12,833,283	\$	12,833,283	
Taxes levied for debt service		-		43,726		127,576		131,368		93,132		137,491		151,175		264,970		203,969		205,566		205,566	
Tuition Received		-		10,971		2,623		-		-		9,925		-		-		-		-		-	
Investment earnings		80,033		60,846		60,935		75,113		106,390		85,966		69,942		26,350		10,934		5,884		5,884	
Miscellaneous income		115,369		187,734		170,352		183,374		131,285		156,218		101,025		121,071		230,991		159,057		159,057	
Adjustment to Capital Assets		-		-		-		-		(491,411)		(62,601)		(436)		100,599		-		-		-	
NJ EDA Grants		131,352		82,907		(14,684)		4,600		(7,073)		(3,631)											
Transfers		(5,775)																					
Total governmental activities		<u>8,866,443</u>		<u>9,615,285</u>		<u>9,748,614</u>		<u>10,419,820</u>		<u>10,495,385</u>		<u>11,593,126</u>		<u>12,127,523</u>		<u>12,559,544</u>		<u>12,960,706</u>		<u>13,203,790</u>		<u>13,203,790</u>	
Business-type activities:																							
Miscellaneous Income		2,617		1,699		1,621		2,146		2,383		2,473		1,889		8,670		7,712		8,367		8,367	
Transfers		5,775								3,631													
Total business-type activities		<u>8,392</u>		<u>1,699</u>		<u>1,621</u>		<u>2,146</u>		<u>6,014</u>		<u>2,473</u>		<u>1,889</u>		<u>8,670</u>		<u>7,712</u>		<u>8,367</u>		<u>8,367</u>	
Total district-wide		<u>\$ 8,874,835</u>		<u>\$ 9,616,984</u>		<u>\$ 9,750,235</u>		<u>\$ 10,421,966</u>		<u>\$ 10,501,399</u>		<u>\$ 11,595,599</u>		<u>\$ 12,129,412</u>		<u>\$ 12,568,214</u>		<u>\$ 12,968,418</u>		<u>\$ 13,212,157</u>		<u>\$ 13,212,157</u>	
Change in Net Assets																							
Governmental activities	\$	(547,239)	\$	168,914	\$	(555,219)	\$	(508,235)	\$	(867,153)	\$	519,962	\$	(517,118)	\$	(426,685)	\$	135,046	\$	536,507	\$	536,507	
Business-type activities		(4,655)		(16,336)		(9,646)		(1,622)		(1,372)		49,911		31,075		17,956		(11,158)		25,069		25,069	
Total district		<u>\$ (551,894)</u>		<u>\$ 152,578</u>		<u>\$ (564,865)</u>		<u>\$ (509,857)</u>		<u>\$ (868,525)</u>		<u>\$ 569,873</u>		<u>\$ (486,043)</u>		<u>\$ (408,729)</u>		<u>\$ 123,888</u>		<u>\$ 561,576</u>		<u>\$ 561,576</u>	

Source: CAFR Schedule A-2

**Kittatinny Regional School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 261,274	\$ 657,883	\$ 550,877	\$ 699,911	\$ 344,306	\$ 977,126	\$ 1,857,666	\$ 1,436,406	\$ 1,021,162	\$ 1,645,227
Unreserved	1,169,127	973,924	610,766	702,914	960,273	973,590	49,664	(227,879)	318,304	389,505
Total general fund	<u>\$ 1,430,401</u>	<u>\$ 1,631,807</u>	<u>\$ 1,161,643</u>	<u>\$ 1,402,825</u>	<u>\$ 1,304,579</u>	<u>\$ 1,950,716</u>	<u>\$ 1,907,330</u>	<u>\$ 1,208,527</u>	<u>\$ 1,339,466</u>	<u>\$ 2,034,732</u>
All Other Governmental Funds										
Reserved										-
Unreserved, reported in:										
Special revenue fund	\$ (2,750)									-
Capital projects fund	173,298	\$ 195,264	\$ 236,413	\$ 82,116				\$ 29,801		
Debt service fund	78,752	1,316	4,020	8,103	\$ 7,316	\$ 1,919	\$ 1	65,064	\$ 45,223	\$ 29,801
Total all other governmental funds	<u>\$ 249,300</u>	<u>\$ 196,580</u>	<u>\$ 240,433</u>	<u>\$ 90,219</u>	<u>\$ 7,316</u>	<u>\$ 1,919</u>	<u>\$ 1</u>	<u>\$ 94,865</u>	<u>\$ 45,223</u>	<u>\$ 29,801</u>

Source: CAFR Schedule B-1

**Kittatinny Regional School District
Changes in Fund Balances, Governmental Funds,
Last Nine Fiscal Years**

Exhibit J-4

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Tax levy	\$ 8,735,464	\$ 9,417,109	\$ 9,668,055	\$ 10,289,559	\$ 10,886,586	\$ 11,524,088	\$ 12,070,731	\$ 12,311,524	\$ 12,718,781	\$ 13,038,849
Tuition charges	-	10,971	2,623	-	-	9,925		400	-	
Transportation	226,107	177,641	196,759	196,489	249,663	344,347	319,880	208,691	216,095	228,605
Interest earnings	80,033	60,846	60,935	75,113	106,390	85,966	69,942	1,373	965	330
Miscellaneous	115,369	187,734	170,352	183,374	136,154	164,599	103,025	146,048	240,960	164,611
State sources	6,487,896	7,037,938	7,209,168	7,387,463	8,061,744	8,238,535	7,458,046	7,003,104	7,042,380	7,528,043
Federal sources	492,371	633,595	545,948	831,860	707,520	645,050	488,633	1,172,142	758,360	686,633
Total revenue	16,137,240	17,525,834	17,853,840	18,963,858	20,148,057	21,012,510	20,510,257	20,843,282	20,977,541	21,647,071
Expenditures										
Instruction										
Regular Instruction	5,929,873	6,150,189	6,247,542	6,215,420	6,539,040	6,414,690	6,732,968	6,937,929	6,703,971	6,840,359
Special education instruction	990,228	1,142,655	1,179,964	1,248,064	1,151,181	1,288,020	1,205,864	1,405,916	1,320,179	1,368,378
Other instruction	712,749	742,150	710,519	707,230	709,516	735,696	793,559	863,220	746,390	765,276
Support Services:										
Tuition	423,387	479,531	597,770	401,101	614,743	569,023	494,903	423,903	351,394	229,988
Student & instruction related services	1,533,285	1,522,557	1,451,449	1,449,894	1,512,161	1,482,737	1,805,161	1,831,895	1,723,556	1,757,177
School Administrative services	615,787	625,448	794,875	778,301	817,117	795,830	783,787	811,989	867,556	834,062
General administrative services	622,434	661,652	655,620	672,760	638,220	649,633	638,396	641,440	638,944	667,744
Plant operations and maintenance	1,169,925	1,191,502	1,242,777	1,228,557	1,339,197	1,438,372	1,448,559	1,407,798	1,382,730	1,448,762
Pupil transportation	1,421,219	1,450,720	1,531,829	1,501,167	1,684,793	1,799,274	1,757,835	1,588,338	1,504,709	1,466,899
Unallocated employee benefits	2,423,585	2,944,476	3,120,763	4,224,430	4,636,835	4,448,136	4,387,231	4,787,182	4,880,136	4,733,843
Charter Schools	16,120	16,411	81,442	82,253	78,752	52,530	171,264	205,399	-	188,633
Capital outlay	84,973	266,006	384,672	102,805	332,402	434,471	69,202	342,305	523,068	445,118
Debt service:										
Principal	115,000	120,000	125,000	130,000	135,000	140,000	150,000	155,000	160,000	140,000
Interest and other charges	210,398	146,758	141,245	135,508	129,545	123,358	116,833	44,907	93,611	80,988
Total expenditures	16,268,963	17,460,055	18,265,467	18,877,490	20,318,502	20,371,770	20,555,562	21,447,221	20,896,244	20,967,227
Excess (Deficiency) of revenues over (under) expenditures	(131,723)	65,779	(411,627)	86,368	(170,445)	640,740	(45,305)	(603,939)	81,297	679,844
Other Financing Sources (uses)										
NJ EDA Grants	131,352	82,907	(14,684)	4,600	(7,073)					
Transfers in	7,136	185,020	285,890	163,693	91,386			163,700	29,801	
Transfers out	(12,911)	(185,020)	(285,890)	(163,693)	(95,017)			(163,700)	(29,801)	
Total other financing sources (uses)	125,577	82,907	(14,684)	4,600	(10,704)	-	-	-	-	-
Net change in fund balances	\$ (6,146)	\$ 148,686	\$ (426,311)	\$ 90,968	\$ (181,149)	\$ 640,740	\$ (45,305)	\$ (603,939)	\$ 81,297	\$ 679,844
Debt service as a percentage of noncapital expenditures										
	2.0%	1.6%	1.5%	1.4%	1.3%	1.3%	1.3%	0.9%	1.2%	1.1%

Source: CAFR Schedule B-2

KITTATINNY REGIONAL 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>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transportation</u> <u>Fees</u>	<u>Rentals</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 72,898	\$ 65,081	\$ 226,107	\$ 19,881		\$ 30,407	\$ 414,374
2004	60,846	99,907	177,641	12,401	\$ 10,971	75,426	437,192
2005	58,229	105,573	196,760	15,750	2,623	49,029	427,964
2006	75,113	86,468	196,489	19,804		77,102	454,976
2007	104,471	42,629	249,663	17,604		71,052	485,419
2008	85,966	47,576	344,347	22,834	9,925	94,189	604,837
2009	67,388	21,154	319,880	26,365		56,060	490,847
2010	26,350	32,742	208,690	21,615	400	62,715	352,512
2011	10,934	11,998	216,095	41,936		177,057	458,020
2012	5,884	9,607	228,605	38,164		111,286	393,546

SOURCE: District Records

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Fredon Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Req.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2003	\$10,808,900	\$175,858,500	\$24,258,900	\$2,069,400	\$11,136,300	\$3,912,700	-	\$239,876,920	\$10,595,900	\$1,236,320	\$229,281,020	\$0.865	\$261,269,700
2004	9,518,200	186,999,100	24,266,200	1,997,000	11,773,700	3,912,700	-	250,755,137	11,357,800	930,437	239,397,337	0.900	275,277,850
2005	7,544,700	199,497,500	24,501,400	1,970,200	11,996,500	3,912,700	-	261,747,947	11,488,380	836,567	250,259,567	0.900	325,755,875
2006	7,003,300	212,702,400	25,193,400	1,939,800	12,114,600	3,912,700	-	275,426,328	11,796,000	764,128	263,630,328	0.858	375,840,125
2007	5,878,900	221,034,700	26,872,100	1,994,800	12,183,200	3,912,700	-	284,283,687	11,796,000	611,287	272,487,687	0.866	402,488,855
2008	4,738,000	227,203,400	27,565,100	1,967,300	12,813,100	3,912,700	-	290,672,130	11,944,000	528,530	278,728,130	0.912	516,366,933
2009	9,779,500	458,629,100	59,564,800	1,945,400	22,934,800	7,028,300	-	587,307,097	26,459,000	966,197	560,848,097	1.629	558,965,857
2010	9,719,800	455,995,100	61,120,500	2,291,500	22,934,800	7,002,600	-	586,290,717	26,479,500	746,917	559,811,217	0.504	556,324,174
2011	9,559,600	454,453,300	61,934,100	1,982,200	23,068,200	7,002,600	-	584,731,465	26,487,100	244,365	558,244,365	0.524	531,329,855
2012	9,533,400	452,433,840	61,856,300	1,989,000	22,996,700	6,477,600	-	581,460,781	25,899,300	274,641	555,561,481	0.543	495,256,704

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Hampton Township**

Exhibit J-6

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2003											\$353,544,029	\$0.832	\$380,905,190
2004											356,691,610	0.897	411,285,122
2005											362,270,294	0.938	482,461,816
2006	\$7,079,000	\$270,950,360	\$28,405,500		\$60,657,800	\$610,000		\$411,114,307	\$42,086,850	\$1,324,797	369,027,457	1.002	557,203,273
2007	7,079,000	274,750,100	28,656,605		61,194,100	610,000		415,717,489	42,385,450	1,042,234	373,332,039	1.076	651,785,866
2008	8,518,000	278,836,900	29,511,025		66,591,500	335,000		427,779,796	43,118,250	869,121	384,661,546	1.111	747,136,755
2009	8,643,700	281,085,400	30,657,475		67,294,100	335,000		434,057,464	45,231,850	809,939	388,825,614	1.151	786,727,501
2010	8,382,500	282,185,800	30,686,200		67,470,200	335,000		437,959,638	48,234,550	665,388	389,725,088	1.180	792,388,864
2011	8,114,900	282,504,200	29,089,000	\$1,926,700	67,527,000	335,000		439,089,337	49,157,550	434,987	389,931,787	1.201	756,766,252
2012	7,901,200	284,426,800	26,564,000	\$1,917,300	68,651,400	335,000		441,294,163	51,013,950	484,513	390,280,213	1.044	748,146,536

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Sandyston Township**

Exhibit J-6

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2003											\$128,533,219	\$1.850	\$137,815,181
2004											130,168,154	1.968	145,325,749
2005											132,093,396	2.025	166,310,598
2006	\$7,137,200	\$103,795,400	\$10,328,800		\$10,012,300	\$1,398,000		\$216,204,339	\$83,023,250	\$509,389	133,181,089	2.003	194,207,401
2007	6,435,300	100,669,600	15,706,400		10,003,100	1,398,000		217,671,374	83,023,250	435,724	134,648,124	2.041	225,146,954
2008	16,192,800	200,599,000	30,903,200		19,816,200	2,373,100		590,356,083	319,801,600	670,183	270,554,483	1.076	260,779,161
2009	14,650,800	202,755,300	31,920,800		20,093,100	2,373,100		593,723,826	321,269,300	661,426	272,454,526	1.135	289,635,447
2010	13,944,800	203,957,600	31,699,800		19,986,300	2,373,100		594,485,213	322,026,600	497,013	272,458,613	1.208	304,828,906
2011	12,933,200	205,131,800	31,347,200	\$1,141,900	20,104,200	2,373,100		597,419,200	323,753,000	634,800	273,666,200	1.260	276,815,900
2012	12,335,500	206,092,100	31,402,400	\$1,079,200	20,534,700	2,373,100		598,714,921	324,194,000	703,921	274,520,921	1.218	274,602,009

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Stillwater Township**

Exhibit J-6

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2003											\$241,120,230	\$1.038	\$289,096,552
2004											242,464,775	1.070	317,934,341
2005											243,524,912	1.096	366,816,737
2006	\$7,069,700	\$202,521,700	\$24,853,900		\$8,930,700	\$408,900		\$272,167,974	\$27,773,200	\$609,874	244,394,774	1.128	411,224,227
2007	6,564,700	203,303,200	25,840,800		8,930,700	408,900		273,240,016	27,748,300	443,416	245,491,716	1.170	490,241,335
2008	6,009,100	204,325,700	27,341,900		8,930,700	408,900		275,455,050	28,052,200	386,550	247,402,850	1.215	548,448,380
2009	5,767,600	205,545,300	27,957,800		8,930,700	408,900		277,201,191	28,250,200	340,691	248,950,991	1.245	580,601,044
2010	5,341,900	208,201,700	26,891,100		8,930,700	408,900		279,008,893	28,948,500	286,093	250,060,393	1.251	597,995,147
2011	5,141,800	208,384,800	25,612,100	\$1,315,800	8,719,200	408,900		279,561,913	29,797,000	182,313	249,764,913	1.294	578,551,595
2012	4,844,700	208,917,300	25,886,200	\$1,312,000	8,339,200	326,400		280,145,236	30,307,200	212,236	249,838,036	1.145	554,436,528

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Walpack Township**

Exhibit J-6

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2003											\$2,439,725	\$1.091	\$2,751,729
2004											2,404,887	1.196	2,657,851
2005											2,408,949	1.034	2,678,962
2006	\$85,100	\$645,250	\$523,950		\$1,077,400			\$32,924,216	\$30,515,950	\$76,566	2,408,266	0.860	2,699,349
2007	85,100	645,250	523,950		1,077,400			32,914,463	30,515,950	66,813	2,398,513	0.572	2,736,761
2008	85,100	645,250	523,950		1,077,400			32,913,477	30,515,950	65,827	2,397,527	0.371	2,805,243
2009	85,100	645,250	523,950		1,077,400			32,913,036	30,515,950	65,386	2,397,086	0.360	2,887,175
2010	85,100	645,250	523,950		1,077,400			32,907,947	30,515,950	60,297	2,391,997	0.154	2,897,014
2011	85,100	645,250	422,000	\$101,950	1,077,400			32,922,736	30,515,950	75,086	2,406,786	0.000	3,059,927
2012	85,100	645,250	422,000	\$101,950	1,077,400			32,923,117	30,515,950	75,467	2,407,167	0.000	3,181,513

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

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Fredon Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Fredon Township School District	Municipality	Sussex County	
2003	\$0.825	\$0.040	\$0.865	\$0.985	\$0.400	\$0.660	\$2.910
2004	\$0.866	\$0.034	\$0.900	\$1.000	\$0.420	\$0.690	\$3.010
2005	\$0.873	\$0.027	\$0.900	\$1.050	\$0.420	\$0.700	\$3.070
2006	\$0.833	\$0.025	\$0.858	\$1.082	\$0.440	\$0.700	\$3.080
2007	\$0.842	\$0.024	\$0.866	\$1.171	\$0.468	\$0.765	\$3.270
2008	\$0.888	\$0.024	\$0.912	\$1.321	\$0.490	\$0.757	\$3.480
2009	\$1.617	\$0.012	\$1.629	\$0.712	\$0.519	\$0.779	\$3.639
2010	\$0.493	\$0.011	\$0.504	\$0.742	\$0.265	\$0.379	\$1.890
2011	\$0.515	\$0.009	\$0.524	\$0.765	\$0.272	\$0.384	\$1.945
2012	\$0.534	\$0.009	\$0.543	\$0.781	\$0.284	\$0.387	\$1.995

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Hampton Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hampton Township School District	Municipality	Sussex County	
2003	\$0.795	\$0.037	\$0.832	\$1.054	\$0.421	\$0.623	\$2.930
2004	\$0.865	\$0.032	\$0.897	\$1.126	\$0.421	\$0.626	\$3.070
2005	\$0.912	\$0.026	\$0.938	\$1.124	\$0.418	\$0.670	\$3.150
2006	\$0.977	\$0.025	\$1.002	\$1.106	\$0.417	\$0.695	\$3.220
2007	\$1.051	\$0.025	\$1.076	\$1.170	\$0.419	\$0.765	\$3.430
2008	\$1.087	\$0.024	\$1.111	\$1.177	\$0.460	\$0.792	\$3.540
2009	\$1.127	\$0.024	\$1.151	\$1.190	\$0.519	\$0.779	\$3.639
2010	\$1.154	\$0.026	\$1.180	\$1.211	\$0.548	\$0.776	\$3.715
2011	\$1.182	\$0.019	\$1.201	\$1.223	\$0.578	\$0.784	\$3.786
2012	\$1.024	\$0.020	\$1.044	\$1.243	\$0.602	\$0.833	\$3.722

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Sandyston Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Local Township School District	Municipality	Sussex County	
2003	\$1.772	\$0.078	\$1.850	N/A	\$0.220	\$0.620	\$2.690
2004	\$1.901	\$0.067	\$1.968	N/A	\$0.217	\$0.615	\$2.800
2005	\$1.970	\$0.055	\$2.025	N/A	\$0.218	\$0.637	\$2.880
2006	\$1.949	\$0.054	\$2.003	N/A	\$0.250	\$0.677	\$2.930
2007	\$1.988	\$0.053	\$2.041	N/A	\$0.251	\$0.738	\$3.030
2008	\$1.064	\$0.012	\$1.076	N/A	\$0.147	\$0.397	\$1.620
2009	\$1.122	\$0.013	\$1.135	N/A	\$0.165	\$0.410	\$1.710
2010	\$1.195	\$0.013	\$1.208	N/A	\$0.191	\$0.427	\$1.826
2011	\$1.250	\$0.010	\$1.260	N/A	\$0.192	\$0.408	\$1.860
2012	\$1.208	\$0.010	\$1.218	N/A	\$0.191	\$0.435	\$1.844

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Stillwater Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Stillwater Township School District	Municipality	Sussex County	
2003	\$1.020	\$0.018	\$1.038	\$1.095	\$0.574	\$0.693	\$3.400
2004	\$1.054	\$0.016	\$1.070	\$1.180	\$0.581	\$0.719	\$3.550
2005	\$1.083	\$0.013	\$1.096	\$1.224	\$0.562	\$0.758	\$3.640
2006	\$1.115	\$0.013	\$1.128	\$1.252	\$0.570	\$0.780	\$3.730
2007	\$1.157	\$0.013	\$1.170	\$1.302	\$0.629	\$0.879	\$3.980
2008	\$1.202	\$0.013	\$1.215	\$1.339	\$0.684	\$0.902	\$4.140
2009	\$1.217	\$0.028	\$1.245	\$1.399	\$0.784	\$0.898	\$4.326
2010	\$1.224	\$0.027	\$1.251	\$1.451	\$0.806	\$0.911	\$4.419
2011	\$1.273	\$0.021	\$1.294	\$1.482	\$0.831	\$0.936	\$4.543
2012	\$1.124	\$0.021	\$1.145	\$1.515	\$0.848	\$0.964	\$4.472

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Walpack Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Local Township School District	Municipality	Sussex County	
2003	\$0.939	\$0.152	\$1.091	N/A	N/A	\$0.589	\$1.680
2004	\$1.061	\$0.135	\$1.196	N/A	N/A	\$0.544	\$1.740
2005	\$0.923	\$0.111	\$1.034	N/A	N/A	\$0.626	\$1.660
2006	\$0.749	\$0.111	\$0.860	N/A	N/A	\$0.460	\$1.320
2007	\$0.461	\$0.111	\$0.572	N/A	N/A	\$0.438	\$1.010
2008	\$0.358	\$0.013	\$0.371	N/A	N/A	\$0.419	\$0.790
2009	\$0.349	\$0.011	\$0.360	N/A	N/A	\$0.400	\$0.760
2010	\$0.154		\$0.154	N/A	N/A	\$0.398	\$0.552
2011	\$0.000		\$0.000	N/A	N/A	\$0.451	\$0.451
2012	\$0.000		\$0.000	N/A	N/A	\$0.569	\$0.569

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

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.

**Kittatinny Regional School District
Principal Property Tax Payers- Fredon Township,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Fredon Golf, LLC	\$ 3,443,000	1	0.62%			
Bear Brook Golf Course				\$ 3,370,500	1	1.52%
Mira Plastics	2,700,000	2	0.48%	1,485,500	2	0.67%
Fredon Golf, LLC	2,410,600	3	0.43%			
Hosea Holdings II, LLC	2,030,100	4	0.36%	-		
Individual Taxpayer #1	1,453,800	5	0.26%	744,500	5	0.33%
Individual Taxpayer #2	1,437,600	6	0.26%	740,100	6	0.36%
Schneider & Marquard	1,403,600	7	0.25%	773,100	7	0.34%
Individual Taxpayer #3	1,315,500	8	0.24%	633,200	9	0.28%
Individual Taxpayer #4	1,299,500	9	0.23%	580,400	10	0.27%
Individual Taxpayer #5	1,291,400	10	0.23%			
United Telephone				1,186,649	3	0.53%
Amlo Enterprises				1,098,000	4	0.49%
Model Craftsman				666,700	8	0.31%
Total	<u>\$ 18,785,100</u>		<u>3.36%</u>	<u>\$ 11,278,649</u>		<u>5.10%</u>

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional School District
Principal Property Tax Payers- Hampton Township,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Wal-Mart Stores	\$ 8,800,000	1	2.25%	12,437,700	1	3.58%
Lowes Home Improvements	7,875,300	2	2.02%			
Individual Taxpayer #1	7,444,900	3	1.91%	7,748,600	2	2.23%
Susan Elizabeth Shopping Center				5,157,700	3	1.49%
Ephemeral Realty, LLC	5,984,200	4	1.53%			
Kere Associates, LLC	5,838,500	5	1.50%			
Sussex County Realty	2,609,200	6	0.67%			
Individual Taxpayer #2	2,302,900	7	0.59%	3,264,600	5	0.94%
Carriage Mobile Homes	2,121,300	8	0.54%	2,037,400	7	0.59%
Salerno-Duane	2,113,400	9	0.54%	2,113,400	6	0.0061
Newton Property Assoc.	1,928,100	10	0.49%			
Toyota Motor Sales				2,002,800	8	0.58%
Individual Taxpayer #3				1,732,500	10	0.50%
Condit Motor				4,667,700	4	1.34%
BPA Realty				1,928,100	9	0.56%
Total	<u>\$ 47,017,800</u>		<u>12.05%</u>	<u>\$ 30,652,800</u>		<u>12.42%</u>

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional School District
Principal Property Tax Payers- Sandyston Township,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Dingman's Choice and Delaware Bridge	\$ 1,500,000	1	0.48%	\$ 750,000	1	0.59%
Stockes Realty'	1,336,600	2	0.43%			
YMCA of Newark	1,175,100	3	0.38%	450,000	5	0.35%
Individual Taxpayer #1	1,006,900	4	0.32%	499,100	2	0.39%
Individual Taxpayer #2	972,300	5	0.31%	468,800	3	0.37%
Ariben Realty	912,600	6	0.29%			
Individual Taxpayer #3	883,300	7	0.28%	378,400	7	0.30%
Individual Taxpayer #4	834,400	8	0.27%	352,200	8	0.28%
Individual Taxpayer #5	830,400	9	0.27%	339,500	9	0.27%
Kittatinny Lake Club	820,900	10	0.26%			
FMA Realty				454,200	4	0.36%
Hidden Acres Farm				440,300	6	0.34%
Individual Taxpayer #6				332,300	10	0.26%
Total	\$ 10,272,500		3.30%	\$ 4,464,800		3.51%

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional School District
Principal Property Tax Payers- Stillwater Township,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Mountain Shadows Lake Assoc.	\$ 1,105,400	1	0.44%	\$ 1,105,400	1	0.46%
Mission of TAO-Confucianism				873,800	2	0.36%
Individual Taxpayer #1	873,300	2	0.35%	814,900	3	0.34%
Individual Taxpayer #2	703,990	3	0.28%			
North Shore House	687,200	4	0.27%	605,300	4	0.25%
Individual Taxpayer #3	646,700	5	0.26%	570,300	5	0.24%
Individual Taxpayer #4	642,800	6	0.26%	570,100	6	0.24%
Individual Taxpayer #5	578,500	7	0.23%	541,500	7	0.23%
Individual Taxpayer #6	551,100	8	0.22%	518,900	8	0.22%
Individual Taxpayer #7	534,800	9	0.21%	463,400	9	0.19%
Individual Taxpayer #8	530,000	10	0.21%	445,500	10	0.19%
Total	<u>\$ 6,853,790</u>		<u>2.73%</u>	<u>\$ 6,509,100</u>		<u>2.72%</u>

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional School District
Principal Property Tax Payers- Walpack Township,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Walpack Inn	\$ 1,056,800	1	43.98%	\$ 1,056,800	1	43.22%
Individual Taxpayer #1	223,400	2	9.30%	291,600	3	11.92%
Individual Taxpayer #2	175,300	3	7.30%	223,400	4	9.14%
BA Handler	113,900	4	4.74%			
Elryan				200,750	5	8.21%
Individual Taxpayer #3	85,400	5	3.55%	86,300	6	3.53%
Individual Taxpayer #4	59,200	6	2.46%	85,400	7	3.49%
Overlook Rod & Gun	77,000	7	3.20%	311,500	2	12.74%
BA Handler	55,800	8	2.32%			
Individual Taxpayer #5	49,500	9	2.06%	63850	8	2.61%
Individual Taxpayer #6	42200	10	1.76%	59200	9	2.43%
Individual Taxpayer #7				42,200	10	1.73%
Total	<u>\$ 1,938,500</u>		<u>78.91%</u>	<u>\$ 2,421,000</u>		<u>99.02%</u>

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional 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	
2003	\$8,545,464	\$8,545,464	100.00%	-
2004	\$9,272,827	\$9,272,827	100.00%	-
2005	\$9,529,388	\$9,529,388	100.00%	-
2006	\$10,156,733	\$10,156,733	100.00%	-
2007	\$10,759,825	\$10,759,825	100.00%	-
2008	\$11,403,618	\$11,403,618	100.00%	-
2009	\$11,956,992	\$11,956,992	100.00%	-
2010	\$12,311,524	\$12,311,524	100.00%	-
2011	\$12,718,781	\$12,718,781	100.00%	-
2012	\$13,038,849	\$13,038,849	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form);
Abstract of Ratables - Sussex County

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.

**Kittatinny Regional School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond	Business-Type Activities
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**Kittatinny Regional School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years - Constituent Townships**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 3,247,000	-0-	\$ 3,247,000	0.34%	\$ 228.40
2004	\$ 3,127,000	-0-	\$ 3,127,000	0.32%	\$ 216.78
2005	\$ 3,002,000	-0-	\$ 3,002,000	0.30%	\$ 205.59
2006	\$ 2,872,000	-0-	\$ 2,872,000	0.28%	\$ 195.55
2007	\$ 3,737,000	-0-	\$ 3,737,000	0.36%	\$ 253.27
2008	\$ 2,597,000	-0-	\$ 2,597,000	0.22%	\$ 175.52
2009	\$ 2,447,000	-0-	\$ 2,447,000	0.17%	\$ 166.10
2010	\$ 2,295,000	-0-	\$ 2,295,000	0.16%	\$ 156.13
2011	\$ 2,135,000	-0-	\$ 2,135,000	0.14%	\$ 144.83
2012	\$ 1,995,000	-0-	\$ 1,995,000	0.14%	\$ 135.99 *

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.

R Revised

* Current data unavailable

**Kittatinny Regional School District
 Ratios of Overlapping Governmental Activities Debt
 As of June 30, 2012**

Exhibit J-12

<u>Governmental Unit</u>	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Constituent Townships	\$ 3,410,096	100%	\$ 3,410,096
Other debt			
Sussex County	77,690,095	10.44%	8,112,461
Subtotal, overlapping debt			11,522,557
Kittatinny Regional School District Direct Debt	1,995,000	100%	1,995,000
Total direct and overlapping debt			\$ 13,517,557

**Kittatinny Regional School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis

2011	\$ 1,983,250,240
2010	2,068,180,629
2009	<u>2,137,490,645</u>
[A]	<u>\$ 6,188,921,514</u>

Average equalized valuation of taxable property **[A/3]** \$ 2,062,973,838

Debt limit (3.5 % of average equalization value) **[B]** 72,204,084

Net bonded school debt **[C]** 1,995,000

Legal debt margin **[B-C]** **\$ 70,209,084**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$36,965,323	\$41,142,886	\$46,750,692	\$54,399,817	\$62,471,637	\$70,230,874	\$71,828,792	\$76,633,267	\$76,633,267	\$72,204,084
Total net debt applicable to limit	<u>3,247,000</u>	<u>3,127,000</u>	<u>3,002,000</u>	<u>2,872,000</u>	<u>2,737,000</u>	<u>2,597,000</u>	<u>2,447,000</u>	<u>2,295,000</u>	<u>2,295,000</u>	<u>1,995,000</u>
Legal debt margin	<u>\$33,718,323</u>	<u>\$38,015,886</u>	<u>\$43,748,692</u>	<u>\$51,527,817</u>	<u>\$59,734,637</u>	<u>\$67,633,874</u>	<u>\$69,381,792</u>	<u>\$74,338,267</u>	<u>\$74,338,267</u>	<u>\$70,209,084</u>
Total net debt applicable to the limit as a percentage of debt limit	8.78%	7.60%	6.42%	5.28%	4.38%	3.70%	3.41%	2.99%	2.99%	2.76%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Kittatinny Regional 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>
2003	14,216	\$ 559,129,496	\$39,331 R	4.7%
2004	14,425	\$ 587,616,800	\$40,736 R	3.5%
2005	14,602	\$ 619,256,218	\$42,409 R	3.3%
2006	14,687	\$ 667,318,532	\$45,436 R	3.5%
2007	14,755	\$ 711,205,755	\$48,201 R	3.4%
2008	14,796	\$ 733,511,700	\$49,575 R	4.4%
2009	14,732	\$ 699,460,628	\$47,479 P	5.4%
2010	14,699	\$ 723,293,693	\$49,207 P	5.5%
2011	14,741	\$ 725,360,387 *	\$49,207 *	5.6%
2012	14,670	\$ 721,866,690 *	\$49,207 *	*

Source:

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

^b Personal income provided by US Dept Commerce

^c Per Capita provided by NJ Dept of Labor

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

P Projected

R Revised

* Current data unavailable

**Kittatinny Regional School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
Wal-Mart Stores	426	1	N/A	-	N/A	
Kittatinny Regional High Schoo;	171	2		-		
Lowes Home Improvement	154	3		-		
		4		-		
		5		-		
		6		-		
		7		-		
		8		-		
		9		-		
		10		-		
	<u>751</u>			<u>-</u>		

Source: Economic Development Partnership

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

Exhibit J-16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular		92.0	94.5	91.0	91.5	90.5	90.5	87.0	86.0	85.5
Special education		15.0	15.0	15.0	15.0	16.0	16.0	17.0	16.0	16.0
Other special education		10.0	11.0	11.0	12.0	13.0	14.0	15.0	15.5	15.5
Support Services:										
Student & instruction related services		19.0	19.0	19.0	14.0	13.0	14.0	14.0	12.0	15.0
School administrative services		13.0	13.0	13.0	18.0	17.0	17.0	19.0	18.0	17.0
General administrative services		5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Plant operations and maintenance		12.0	12.5	12.5	12.5	12.5	12.5	11.5	11.5	12.0
Pupil transportation		2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total		168.0	172.0	168.5	170.0	169.0	171.0	170.5	166.0	168.0

Source: District Personnel Records

**Kittatinny Regional 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
						Middle School	High School				
2003	1,292	\$ 15,607,441	\$ 12,080	2.59%	111	10.0	12.5	1,291.4	1,243.9	4.06%	96.3%
2004	1,293	16,664,064	12,888	6.69%	107	11.0	13.0	1,292.6	1,240.8	0.09%	96.0%
2005	1,295	17,499,683	13,513	4.85%	108	11.0	13.0	1,304.5	1,250.4	0.92%	95.9%
2006	1,248	18,509,178	14,831	9.75%	108	11.0	13.0	1,249.0	1,198.6	-4.25%	96.0%
2007	1,241	19,721,554	15,892	7.15%	106	10.0	12.0	1,233.4	1,189.2	-1.25%	96.4%
2008	1,189	19,308,282	16,239	2.19%	106	10.0	12.0	1,174.1	1,134.3	-4.81%	96.6%
2009	1,198	19,927,831	16,634	2.43%	107	10.0	12.0	1,157.8	1,119.1	-1.39%	96.7%
2010	1,176	20,905,009	17,776	6.87%	107	10.0	12.0	1,157.2	1,118.1	-0.05%	96.6%
2011	1,142	20,119,565	17,618	-0.89%	106	9.0	12.0	1,110.9	1,066.3	-4.00%	96.0%
2012	1,154	20,301,121	17,592	-0.15%	100	9.0	12.0	1,109.4	1,066.9	-0.14%	96.2%

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)

**Kittatinny Regional School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>										
<u>High School</u>										
Square Feet	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503
Capacity (Students)	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	1,292	1,293	1,295	1,248	1,241	1,174	1,170	1,176	1,142	1,154

Number of Schools at June 30, 2012
High School = 1

Source: District records, ASSA

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Six Fiscal Years Ending June 30, 2012

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
High School Building		<u>\$ 185,013</u>	<u>\$ 210,407</u>	<u>\$ 189,937</u>	<u>\$ 185,548</u>	<u>\$ 267,672</u>	<u>\$ 212,848</u>	<u>\$ 251,849</u>	<u>\$ 1,503,274</u>
Total School Facilities		185,013	210,407	189,937	185,548	267,672	212,848	251,849	1,503,274
Other Facilities		<u>NONE</u>							
Grand Total		<u>\$ 185,013</u>	<u>\$ 210,407</u>	<u>\$ 189,937</u>	<u>\$ 185,548</u>	<u>\$ 267,672</u>	<u>\$ 212,848</u>	<u>\$ 251,849</u>	<u>\$ 1,503,274</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2012

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<u>SCHOOL ALLIANCE INSURANCE FUND</u>		
PROPERTY SECTION -		
Property-Blanket Building and Contents	\$ 5,000,000	\$ 1,000
LIABILITY SECTION -		
Comprehensive General Liability	5,000,000	None
Employee Benefits Liability	5,000,000	None
Automobile Liability	5,000,000	None
Excess Liability	5,000,000	None
WORKERS' COMPENSATION -		
(a) Statutory Benefits		None
(b) Employers Liability	As required by	None
Supplemental Coverage	State of New Jersey	None
SCHOOL BOARD LEGAL LIABILITY POLICY -		
School Leader's Professional Liability	5,000,000	
CRIME -		
Blanket Employee Dishonesty	100,000	Per Occ.
Per Loss Member Aggregate Limit	400,000	
Theft Disappearance Destruction In and Out	50,000	
Computer Fraud	50,000	
Forgery	50,000	
OTHER COVERAGE		
Sexual Abuse and Molestation	3,000,000	
Critical Incident Management	250,000	
INDIVIDUAL BONDS:(Not in SAIF)		
Kathy Kane (BA)	250,000	None
Donna Mosner (Treasurer of School Monies)	250,000	None

SOURCE: District Records

Single Audit Section



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 Anthony F. Ardito, PA, RMA, PSA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS**

Honorable President and
 Members of the Board of Education
 Kittatinny Regional School District
 County of Sussex
 Hampton, New Jersey 07860

We have audited the financial statements of the Board of Education of the Kittatinny Regional School District in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 15, 2012. 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Kittatinny Regional School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Kittatinny Regional School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kittatinny Regional School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kittatinny Regional School District Board of Education's internal control over financial reporting.

-Continued-

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kittatinny Regional School District Board of Education'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, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Kittatinny Regional School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 15, 2012



ARDITO & Co., LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
 Members of the Board of Education
 Kittatinny Regional School District
 County of Sussex
 Hampton, New Jersey 07860

Compliance

We have audited the compliance of the Kittatinny Regional School District in the County of Sussex, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. The Kittatinny Regional School District Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Kittatinny Regional School District Board of Education's management. Our responsibility is to express an opinion on the Kittatinny Regional School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133, and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred.

-Continued-

An audit includes examining, on a test basis, evidence about the Kittatinny Regional School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Kittatinny Regional School District Board of Education's compliance with those requirements.

In our opinion the Board of Education of the Kittatinny Regional School District, in the County of Sussex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Education of the Kittatinny Regional School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Kittatinny Regional School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 Kittatinny Regional 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 federal or 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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Kittatinny Regional School District Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 15, 2012

KITTATINNY REGIONAL SCHOOL DISTRICT

K-3

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2012.

Schedule A

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2011	Carryover/ Walkover Amount	Cash Received	Budgetary Expend.	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2012			Cumulative Total Expenditures
				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education															
General Fund:															
Impact Aid	84.041	N/A	\$ 294,554	9/1/11	8/31/12			\$ 294,554	\$ (294,554)						\$ 294,554
Education Jobs Fund	84.410A	ARRA_11	211,667	8/10/10	9/30/12	\$ (18,920)		139,699	(141,138)		\$ (20,359)				207,592
Total General Fund						(18,920)	-	434,253	(435,692)	-	-	(20,359)	-	-	502,146
U.S. Department of Education															
Passed-through State															
Department of Education:															
Special Revenue Fund:															
I.D.E.A. Part B, Basic Regular	84.027	FT367512	\$220,204	9/1/11	8/31/12	(19,577)		217,262	(212,818)		(81,408)	\$ 66,275			212,818
ARRA - I.D.E.A. Part B	84.391	FT367511	253,403	9/1/09	8/31/11	(3,291)		3,294		\$ (3)					253,403
Special Education Cluster						(22,868)	-	220,556	(212,818)	(3)	-	(81,408)	66,275	-	466,221
Title I	84.010A	NCLB367512	21,469	9/1/11	8/31/12	(2,976)		16,057	(18,030)		(14,698)	9,749			18,030
Title II Part A	84.367A	NCLB367511	21,084	9/1/11	8/31/12	(3,459)		21,661	(20,533)		(9,785)	7,454			20,533
No Child Left Behind						(6,435)	-	37,718	(38,563)	-	-	(24,483)	17,203	-	38,563
Total Special Revenue Fund						(29,303)	-	258,274	(251,381)	(3)	-	(105,891)	83,478	-	504,784
U.S. Dept. of Agricul. Passed-Through															
Passed Through State Dept. of Ed.															
Enterprise Fund:															
Child Nutrition Cluster:															
National School Lunch Program (Food Distribution)	10.555	N/A		7/1/10	6/30/11	792			(792)						792
National School Lunch Program (Food Distribution)	10.555	N/A	13,125	7/1/11	6/30/12			13,125	(11,421)			1,704			11,421
National School Lunch Program	10.555	N/A		7/1/10	6/30/11	(2,424)		2,424							0
National School Lunch Program	10.555	N/A	42,196	7/1/11	6/30/12			41,716	(42,196)		(480)				42,196
Total Enterprise Fund						(1,632)		57,265	(54,409)		(480)	1,704	-	-	54,409
Total Federal Financial Awards						\$ (49,855)		\$ 749,792	\$ (741,482)	\$ (3)	\$ (126,730)	\$ 85,182	-	-	\$ 1,061,339

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

KITTATINNY REGIONAL SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2012

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education:															
General Fund:															
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 3,200,580			\$ 3,200,580	\$ (3,200,580)						* \$	317,674	\$ 3,200,580
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	625,166			625,166	(625,166)						*	62,051	625,166
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	565,461			565,461	(565,461)						*	56,125	565,461
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	78,183			78,183	(78,183)						*	7,760	78,183
Adjustment Aid	12-495-034-5120-085	7/1/11-6/30/12	1,316,613			1,316,613	(1,316,613)						*	130,680	1,316,613
Extra-Ordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	150,826				(150,826)			\$ (150,826)			*		150,826
Extra-Ordinary Aid	11-495-034-5120-044	7/1/10-6/30/11		\$ (208,940)		208,940							*		-
Non-Public Transportation Aid	12-100-034-5120-068	7/1/11-6/30/12				-	(11,159)			(11,159)			*		11,159
Anti-Bullying Bill Of Rights Award	N/A	7/1/11-6/30/12	2,232			2,232	(2,232)						*		2,232
TPAF Pension	12-495-034-5095-001	7/1/11-6/30/12	911,145			911,145	(911,145)						*		911,145
Reimb. TPAF Soc.Sec.Contrib.	12-495-034-5095-002	7/1/11-6/30/12	701,702			701,702	(701,702)			-			*		701,702
Total General Fund				(208,940)		7,610,022	(7,563,067)			(161,985)			*	574,290	7,563,067
Special Revenue Fund:															
N.J. Nonpublic Aid:															
Textbooks Aid	12-100-034-5120-064	7/1/11-6/30/12	1,418			1,418	(1,418)						*		1,418
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	2,025			2,025	(2,025)						*		2,025
Auxiliary Services:															
Compensatory Education	12-100-034-512a-067	7/1/11-6/30/12	4,227			4,227	(1,522)				\$ 2,705		*		1,522
Handicapped Services:															
Examination and Classification	12-100-034-512b-066	7/1/11-6/30/12	2,417			2,417	(2,417)						*		2,417
Supplementary Instruction	12-100-034-512c-066	7/1/11-6/30/12	1,403			1,403	(1,403)						*		1,403
Total Special Revenue Fund						11,490	(8,785)						*		8,785
State Department of Agriculture:															
Enterprise Fund:															
Nat. School Lunch Prog. (State Share)	11-100-010-3350-023	7/1/10-6/30/11		(212)		212							*		
Nat. School Lunch Prog. (State Share)	11-100-010-3350-023	7/1/10-6/30/11	2,930			2,899	(2,930)				(31)		*		2,930
Total Enterprise Fund				(212)		3,111	(2,930)				(31)		*		2,930
Total State Financial Assistance				\$ (209,152)		\$ 7,624,623	\$ (7,574,782)			\$ (162,016)			*	\$ 574,290	\$ 7,574,782

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

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying federal and state 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$43,809) for the general fund and (\$440) 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 federal and statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 435,692	\$ 7,519,258	\$ 7,954,950
Special Revenue Fund	250,941	8,785	259,726
Food Service Fund	<u>54,409</u>	<u>2,930</u>	<u>57,339</u>
Total Financial Assistance	<u>\$ 741,042</u>	<u>\$ 7,530,973</u>	<u>\$ 8,272,015</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the 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, 2012. 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, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) 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
- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$300,000
- E) Auditee qualified as low-risk auditee? x Yes ___ No
- F) Type of auditor's report on compliance for major programs: Unqualified
- G) 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 No
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes x No
- I) Identification of major programs:

CFDA NUMBER(S)

84.027
84.410A

NAME OF FEDERAL PROGRAM OR CLUSTER

IDEA
JOBS EDUCATION GRANT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 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
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___yes__x_no
- O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
12-495-034-5120-014	Transportation Aid
12-495-034-5120-085	Adjustment Aid
12-495-034-5120-044	Extraordinary Aid
12-495-034-5120-078	Equalization Aid
12-495-034-5095-002	Reimb. TPAF Soc. Sec.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II-Financial Statement Findings

There were no matters of noncompliance, significant deficiencies, or material weaknesses, that are required to be reported in accordance with Government Auditing Standards.

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

FEDERAL AND STATE FINANCIAL ASSISTANCE-There were no federal or state financial assistance findings or questioned costs that are required to be reported in accordance with OMB Circular A-133 or with NJOMB Circular 04-04.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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