KEARNY BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Kearny, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Kearny Board of Education

Kearny, New Jersey

For The Fiscal Year Ended June 30, 2011

Prepared by

Business Office

KEARNY BOARD OF EDUCATION
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INTRODUCTORY SECTION

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MICHAEL DE VITA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

October 4, 2011

Honorable President and
Members of the Board of Education
Kearny School District
County of Hudson, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Kearny School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

(1) *REPORTING ENTITY AND ITS SERVICES: Kearny School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. All funds of the District are included in this report. The Kearny Board of Education and all its schools constitute the District's reporting entity.*

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an enrollment of 5,830 students, which is 86 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District over the past ten years:

	School Enrollment	
Fiscal Year	Student Enrollment	Percent Change Increase (Decrease)
2010-11	5,830	1.50%
2009-10	5,744	(0.52%)
2008-09	5,774	3.48%
2007-08	5,580	2.5%
2006-07	5,442	1.13%
2005-06	5,381	0.067%
2004-05	5,345	(0.89%)
2003-04	5,393	1.01%
2002-03	5,332	1.83%
2001-02	5,236	5.78%

(2) *ECONOMIC CONDITION AND OUTLOOK:*

The Comparative Spending Guide for K-12 districts was released by the New Jersey Department of Education (DOE) in May of 2011. It was revealed that the Kearny School District's budgeted comparative spending for the 2010/11 school year was $12,386 per pupil. Out of the 105 school districts with more than 3,500 students, Kearny ranked 37th (low cost to high cost) in budgeted 2010/11 per pupil spending. The budgeted New Jersey State average for 2010/2011 was $13,587.

The District Factor Grouping (DFG) for Kearny is "B". This reflects the diminished socioeconomic indicator of the community-at-large. Every effort has been initiated by the District to effectuate maximum state aid for the 2010/11 school year. In addition to a host of entitlement grants, the District has also applied for and been approved to implement competitive State grants such as the School-Based Youth Services Program.

(3) *MAJOR INITIATIVES:*

- *ELEMENTARY*

- *Educational workshops continued to provide technology training for District Technology Resources such as: Class Pages, Gradekeeper, PowerPoint, Senteo, laptops and projectors contained in mobile carts, and SmartBoards for teachers in Pre-K-8.*

- *Workshops on differentiated instruction and inclusionary teaching methods to accommodate varied learning styles were conducted by consultants specializing in the area for general education, special education, BSI and bilingual/ESL teachers were presented on rotating basis throughout the schools.*

- *The web-based PTS-3 program was used to help students in Grades 3-8 practice test-taking skills and strategies as well as master the concepts, skills and strategies outlined in New Jersey Core Curriculum Content Standards for LAL, Math, Science and Technology. Teachers were in-serviced on implementation of the program.*

- *A new middle school math program for Grades 6-7-8 was fully implemented which blends inquiry-based instruction with traditional methods and is aligned to New Jersey Core Curriculum Content Standards.*

- *K-2 teachers participated in Hudson County Curriculum Consortium (HCCC) writing for Math and K-5 in Science to align to Common Core State Standards (CCSS).*

- *Seventh and Eighth grade teachers were trained in the use of Carnegie Learning - Bridge to Algebra and Algebra I for increased Algebra readiness.*

- *The district's participation in a mathematics/science grant with Montclair State University, titled "GK-12 Fellows in the Middle", continued with the participation of teachers and students in Schuyler and Washington Schools. District teachers served as experts in pedagogy, while Montclair State University fellows served as content specialists to help focus students on inquiry-based instruction. Participants video conferenced between Eduador and the United States.*

- *Early Childhood Family After School Programs continued in all schools in an effort to assist parents in providing literacy and math skills and concepts for their children at home to support what occurs in the Early Childhood classroom.*

- *Teachers attended a series of Middle School Literacy workshops held at Kean University. Useful strategies and activities were shared with staff in a series of educational workshops.*

- *Workshop training on NJASK LAL was provided district-wide to all teachers in grades 3-5.*

- *Major initiative to revise and/or rewrite all curriculums to align with the newly adopted Common Core State Standards.*

- *All Pre-K teachers received initial training on the ECERS-R rating scale, an instrument used to assess pre-school program quality.*

- *All Early Childhood Aides received training on appropriate staff/child interactions.*

- *In an effort to move to self-contained classes in K-5 and departmentalization in 6-8, some buildings began the transition process. Those teachers affected received training.*

- *CPAA (Children's Progress of Academic Achievement) a formative assessment program that uses an adaptive and scaffolded approach to assessment, continued in grades Pre-K through 3. This teaching tool has helped teachers adjust their instruction to address student needs in literacy and math.*

- *Online Lesson Plans continued district-wide. Ongoing professional development for teachers and administration was provided.*

- *A team of teachers participated in SIOP (Sheltered Instruction Observation Protocol) training that focuses on learning and implementing non-verbal forms of communication for instruction of English Language Learners and Special Needs students.*

- *Teachers in Grades 3-8 continue to be in-serviced on test format and content, as well as instructional strategies with an emphasis on school "team" efforts to prepare students for the 2010 NJASK testing in Language Arts Literacy and Mathematics.*

- *Parent workshops were presented to help their students with math and language arts strategies, skills, concepts in an effort to make families more aware of the importance of test readiness and the positive impact of home involvement.*

- *Grades 6,7 & 8 Language Arts teachers revised summer reading lists to better suit student interests.*

    - *HIGH SCHOOL*

- *Nearly 1/3 of the High School Staff was trained in 21st Century Curriculum Design and became familiar with the Understanding by Design Curriculum Model.*

- *The high school continues to prepare for the district QSAC evaluation process.*

- *High School Algebra teachers and Special Education Teachers were trained in Carnegie Learning Algebra I to increase student readiness in Algebra.*

- *TEXTBOOK/CURRICULUM REVISION*

    - *A two-year curriculum revision was initiated for grades 6-12 to align courses for the implementation of 2009 NJCCCS and CCSS in Mathematics and Language Arts.*

- *ATHLETICS*

    The district has no pending projects.

    - *DISTRICT*

- *Laptops Carts in Classrooms*

    - *The district continues supporting and implementing additional mobile lab carts. These carts are distributed throughout the elementary schools and the high school to be used in classroom settings. All carts have printers and wireless access points.*

- *Data Center*

    - *The Data Center, located in the high school, continues to grow and provide centralized housing and control of much of the district's infrastructure and many of the district's servers.*

- *New Computers*

    - *Computer labs in the district were upgraded with new computers. These computers replaced older PC computers. The labs upgraded were the Desktop Publishing and the Digital Photography programs.*

- *Infrastructure Upgrades*

    - *The district completed the process of providing a much needed LAN infrastructure upgrade in all buildings. This includes a fiber backbone in the buildings with new runs to all classrooms and offices, as well as a 10GB WAN.*

- *On-Line Initiatives*

    - *The district continued the use of on-line lesson plans with on-line class pages for each teacher.*
    - *The use of streaming video was continued by upgrading to the Discovery Education Streaming Program.*

- *Lincoln School Project*

    - *The renovation and construction work project funded through a joint effort of the Port Authority, the FAA, the Schools Development Authority and the Kearny Board of Education was completed in September 2009.*

- *Washington, Schuyler, Garfield & Roosevelt Façade Projects*

    - *The exterior façade projects are all completed.*

- *Kearny High School Façade Project*

    - *The exterior façade project is ongoing and is scheduled to be complete by the end of next school year.*

- *Midland Avenue Property*

    - *Property was purchased by the Board of Education for the renovation of classroom/central office space. Work has been bid and is scheduled to begin next school year.*

- *Franklin Mitchell Field*

    - *The project is in the close-out phase and is scheduled to be completed in November 2011.*

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

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

(7) *DEBT ADMINISTRATION: At June 30, 2011, the District's outstanding debt included $14,290,000 of general obligation bonds to provide funds for capital improvements to the District's buildings and grounds. These improvements include ventilation upgrading, restoration of the High School, Garfield, Roosevelt, Schuyler and Washington Schools' building façades, restoration of District walkways and grounds, and various other projects.*

(8) *CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.*

(9) *RISK MANAGEMENT*

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, school board errors and omissions, boiler and machinery, and workers' compensation.

(10) *OTHER INFORMATION:*

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

(11) *ACKNOWLEDGMENTS:*

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

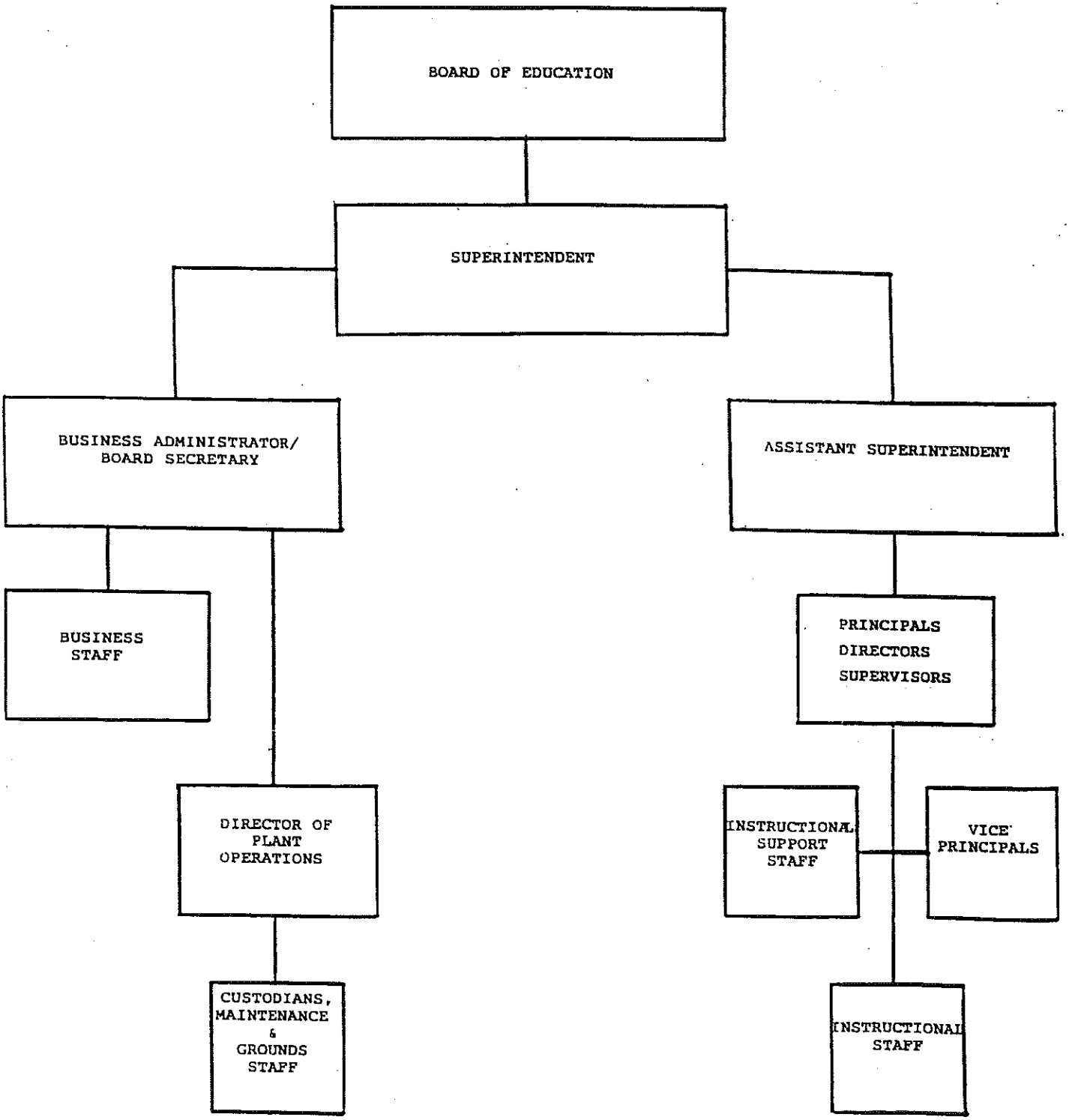
Respectfully submitted,

Michael DeVita
Business Administrator/Board Secretary

Ronald E. Bolandi
Interim Superintendent of Schools

KEARNY BOARD OF EDUCATION

ORGANIZATIONAL CHART



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2011

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Paul Castelli	2012
James Doran, Jr.	2012
Lisa Anne Schalago	2012
George King	2013
Bernadette McDonald	2013
Robert O'Malley	2013
John Leadbeater	2014
John A. Plaugic, Jr.	2014
Sebastian J. Viscuso	2014

ADMINISTRATION

Frank DiGesere, Superintendent of Schools

Michael DeVita, Business Administrator/Board Secretary

Robert C. Sprague, Interim Assistant Superintendent of Schools

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RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Trustees
Kearny Board of Education
Kearny, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kearny Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2011 on our consideration of the Kearny 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearny Board of Education's basic financial statements as a whole. The introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 also not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

This section of the Kearny Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-2011 fiscal year include the following:

- The assets of the Kearny School District exceeded its liabilities at the close of the fiscal year by $33,389,853.
- Overall revenues were $88,415,401 which were $1,939,576 greater than expenses. General revenues accounted for $71,097,525 or 80% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $17,317,876 or 20% of total revenues.
- The School District had $84,687,410 in expenses for governmental activities; only $15,763,189 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of $71,097,525 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combining ending fund balances of $10,256,459. The unassigned general fund balance is a deficit of $(1,293,550).
- The General Fund unassigned fund balance, on a budgetary basis of accounting, was $1,631,150 at June 2011, a decrease of $377,849 when compared with the beginning balance at July 1, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

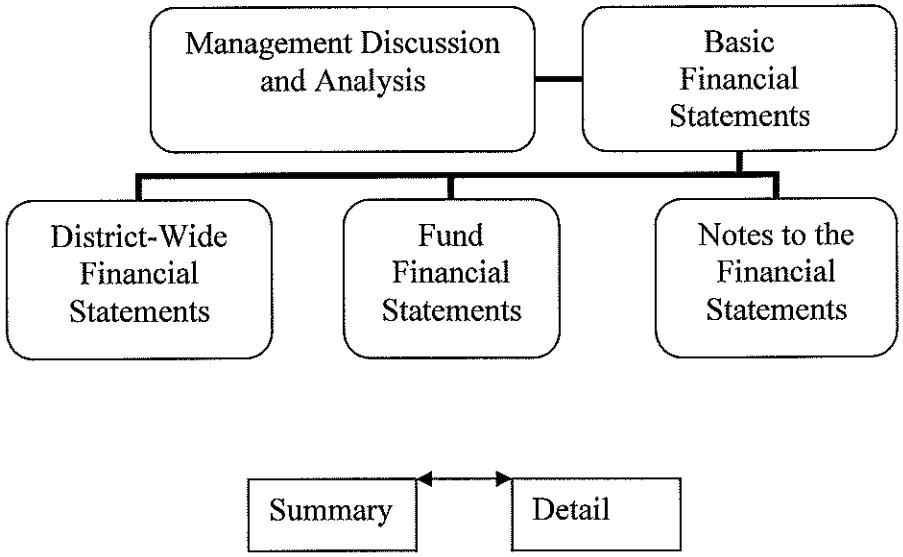
The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses (the food service operation).
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The chart below shows how the various parts of this annual report are arranged and related to one another.



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized below. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction; building maintenance, transportation, and administration.	Activities the district operates similar to private businesses; enterprise funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, student activities, and payroll deductions.
Required Financial Statements	Statements of Net Assets Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, Statement of Cash Flows	Statements of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities both short and long-term funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received and the related liability is due and payable	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and community education. Property taxes and State and Federal aids finance most of these activities.
- *Business-type activities* – The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. Federal grants).

Fund Financial Statements (Continued)

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences between them.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

    - *Enterprise Fund* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has a Food Service Enterprise Fund.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Board's district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The district's financial position is the product of many financial transactions including the net results of activities, the acquisition and repayment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

Net Assets. The District's combined net assets, as summarized below, were $33,389,853 and $31,450,277 on June 30, 2011 and 2010, respectively.

Statement of Net Assets
as of June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 65,895,259	$ 58,242,550	$ 333,902	$ 286,048	$ 66,229,161	$ 58,528,598
Capital Assets	54,461,786	52,674,423	138,942	132,614	54,600,728	52,807,037
Total Assets	120,357,045	110,916,973	472,844	418,662	120,829,889	111,335,635
Long-Term Liabilities	31,535,507	33,053,976			31,535,507	33,053,976
Other Liabilities	55,834,167	46,744,852	70,362	86,530	55,904,529	46,831,382
Total Liabilities	87,369,674	79,798,828	70,362	86,530	87,440,036	79,885,358
Net Assets:						
Invested in Capital Assets Net of Related Debt	41,472,141	41,531,599	138,942	132,614	41,611,083	41,664,213
Restricted	4,672,748	1,809,371			4,672,748	1,809,371
Unrestricted	(13,157,518)	(12,222,825)	263,540	199,518	(12,893,978)	(12,023,307)
Total Net Assets	$ 32,987,371	$ 31,118,145	$ 402,482	$ 332,132	$ 33,389,853	$ 31,450,277

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

Below is a summary of the changes in net assets for fiscal years ended June 30, 2011 and 2010.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	$ 60,439	$ 142,122	$ 461,515	$ 416,267	$ 521,954	$ 558,389
Operating Grants and Contributions	14,474,765	19,210,879	1,093,172	1,071,208	15,567,937	20,282,087
Capital Grants and Contributions	1,227,985	2,558,285			1,227,985	2,558,285
General Revenues						
Property Taxes	46,477,030	44,396,912			46,477,030	44,396,912
Federal and State Aid	24,148,266	18,186,384			24,148,266	18,186,384
Other	472,229	1,377,349	-	-	472,229	1,377,349
Total Revenues	86,860,714	85,871,931	1,554,687	1,487,475	88,415,401	87,359,406
Expenses						
Instruction						
Regular	41,126,178	41,381,868			41,126,178	41,381,868
Special Education	11,313,129	10,695,914			11,313,129	10,695,914
Other Instruction	3,252,330	4,107,288			3,252,330	4,107,288
School Sponsored Activities and Athletics	1,281,841	1,300,510			1,281,841	1,300,510
Support Services						
Student and Instruction Related Services	7,113,169	7,692,297			7,113,169	7,692,297
General Administration and Business Services	3,631,340	3,467,430			3,631,340	3,467,430
School Administration Services	6,238,956	4,632,528			6,238,956	4,632,528
Plant Operation and Maintenance	8,712,127	8,804,501			8,712,127	8,804,501
Pupil Transportation	1,315,732	1,404,217			1,315,732	1,404,217
Interest and Other Charges on Long-Term Debt	702,608	560,215			702,608	560,215
Food Service	-	-	1,788,415	2,117,868	1,788,415	2,117,868
Total Expenses	84,687,410	84,046,768	1,788,415	2,117,868	86,475,825	86,164,636
Increase (Decrease) in Net Assets before Transfers	2,173,304	1,825,163	(233,728)	(630,393)	1,939,576	1,194,770
Transfers	(304,078)	(731,259)	304,078	731,259	-	-
Change in Net Assets	1,869,226	1,093,904	70,350	100,866	1,939,576	1,194,770
Beginning of Year, Net Assets	31,118,145	30,024,241	332,132	231,266	31,450,277	30,255,507
Net Assets, End of Year	$ 32,987,371	$ 31,118,145	$ 402,482	$ 332,132	$ 33,389,853	$ 31,450,277

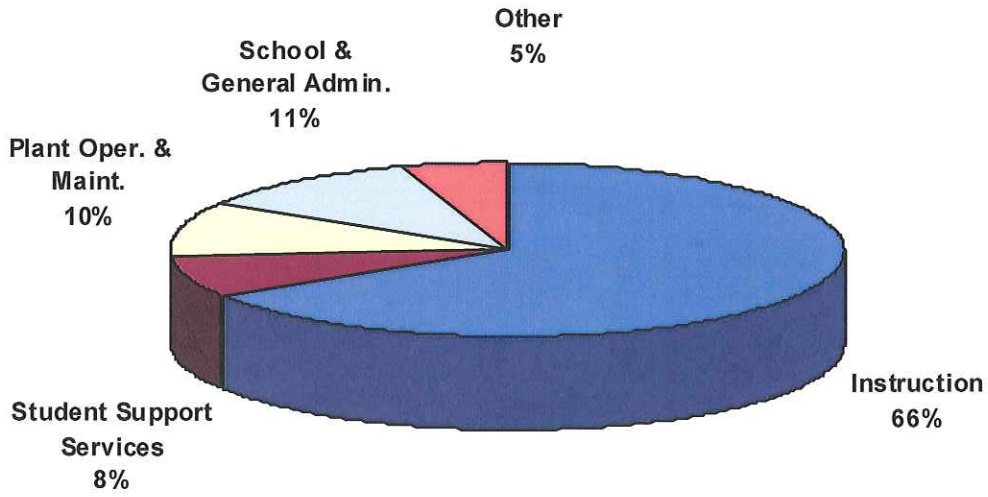
KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

Changes in net assets. The District's total revenues were $88,415,401. Property taxes of $46,477,030 represented 53% of revenues. Approximately 46% was received from state and federal sources, the balance of 1% came from investment earnings and other miscellaneous charges.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was $86,475,825. Total revenues exceeded expenses, increasing net assets by $1,939,576 from the beginning balance at July 1, 2010. The increase was primarily due to the increase in general fund state aid and the completion of certain capital projects.



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Governmental Activities				
Instruction				
Regular	$ 41,126,178	$ 41,381,868	$ 35,445,919	$ 31,124,865
Special Education	11,313,129	10,695,914	4,980,522	4,746,002
Other Instruction	3,252,330	4,107,288	2,885,889	3,591,538
School Sponsored Activities and Athletics	1,281,841	1,300,510	1,281,841	1,300,510
Support Services				
Student and Instruction Related Services	7,113,169	7,692,297	5,579,760	6,548,097
General Administration and Business Services	3,631,340	3,467,430	3,631,340	3,467,430
School Administration Services	6,238,956	4,632,528	5,736,686	4,296,218
Plant Operation and Maintenance	8,712,127	8,804,501	7,393,882	5,433,766
Pupil Transportation	1,315,732	1,404,217	1,285,774	1,066,841
Interest and Other Charges on Debt	702,608	560,215	702,608	560,215
Total Governmental Activities	$ 84,687,410	$ 84,046,768	$ 68,924,221	$ 62,135,482

Business-Type Activities
The cost of Business-Type Activities for the fiscal year ended June 30, 2011 was $1,788,415. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidiary.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's Governmental Funds reported a combined fund balance of $10,256,459. The fund balance at June 30, 2010 was $11,706,570.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

GENERAL FUND

The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 12 including pupil transportation, student activities and capital outlay projects.

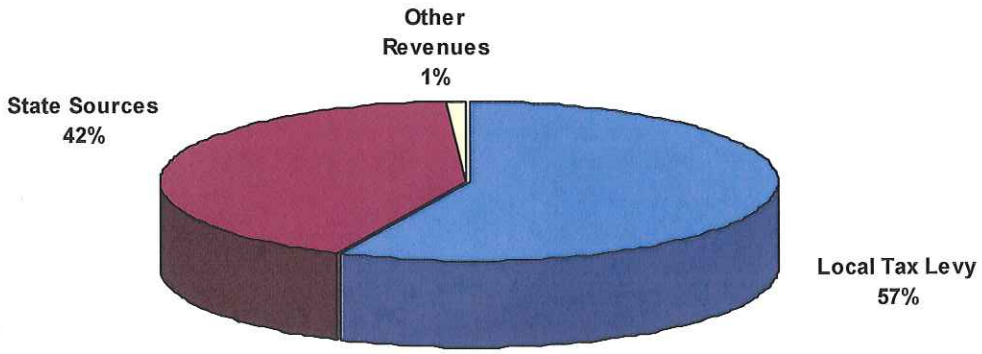
The following schedule presents a summary of General Fund Revenues.

Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2011 and 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount of Increase (Decrease)	Percent
Revenues				
Local Sources:				
Property Tax Levy	$ 45,278,829	$ 43,537,336	$ 1,741,493	4.0%
Miscellaneous	434,280	1,518,980	(1,084,700)	-71.4%
State Sources	32,808,745	27,566,744	5,242,001	19.0%
Federal Sources	132,805	4,838,318	(4,705,513)	-97.3%
Total Revenues	$ 78,654,659	$ 77,461,378	$ 1,193,281	1.5%

The General Fund revenues are primarily funded from property taxes and State aid. These combine for 99% of the District's total revenue. Miscellaneous revenues decreased primarily due to the District not receiving solar energy credits during the 2010/2011 school year. Revenue from federal sources decreased due to the one time revenue in 2009-2010 from the American Recovery and Reinvestment Act (ARRA) $4,692,828.

2010/2011 Revenues by Source



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

The following schedule presents a summary of General Fund expenditures.

Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2011 and 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount of Increase (Decrease)	Percent
Expenditures				
Instruction	$ 50,292,733	$ 51,996,762	$ (1,704,029)	-3.3%
Support Services	25,782,222	25,371,941	410,281	1.6%
Capital Outlay	1,872,568	2,137,625	(265,057)	-12.4%
Debt Service	110,834	270,550	(159,716)	-59.0%
Total Expenditures	$ 78,058,357	$ 79,776,878	$ (1,718,521)	-2.2%

Total General Fund expenditures decreased $1,718,521 or 2.2% from the previous year. This decrease can be attributed to decreases in contractual salaries as a result of employee retirements.

In 2010-2011 General Fund revenues and other financing sources exceeded expenditures and other financing uses by $122,372. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2011 was a deficit of $(1,293,550).

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2011

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Project Fund current year expenses exceeded revenues and other financing sources by $1,572,482. The year-end fund balance is $4,183,257. The amount of revenue earned from the SDA for qualified Education Facilities Construction and Financing Act construction projects was $1,129,332. In addition, the District realized $78,923 from the FAA for funding related to the Lincoln School and Kearny High School noise abatement/expansion projects.

The amount of debt service expenditures for 2010/2011 was $1,680,280 in principal and interest, with $1,198,201 funded from the local tax levy and $482,078 from state aid.

Capital Assets. At the end of the fiscal year 2011, the school district had invested in land, buildings, furniture, machinery and equipment as stated below:

Capital Assets at June 30, 2011 and 2010

	Governmental Activities		Business- Type Activities	
	2011	2010	2011	2010
Land	$ 245,000	$ 245,000		
Land Improvements	123,555	123,555		
Construction in Progress	8,107,071	29,465,949		
Buildings and Improvements	71,900,651	46,497,193		
Machinery and Equipment	1,476,103	6,286,614	$ 308,854	$ 287,474
Total	81,852,380	82,618,311	308,854	287,474
Less: Accumulated Depreciation	(27,390,594)	(29,943,888)	(169,912)	(154,860)
Total	$ 54,461,786	$ 52,674,423	$ 138,942	$ 132,614

Additional information on the District's capital assets is presented in the Notes to the Basic Financial Statements.

Debt Administration. As of June 30, 2011 the school district had long-term debt and outstanding long-term liabilities in the amount of $31,535,507, as follows:

	2011	2010
Serial Bonds Payable	$ 14,290,000	$ 15,365,000
Compensated Absences Payable	17,245,507	17,688,976
Total	$ 31,535,507	$ 33,053,976

Additional information on the District's long-term liabilities is presented in Notes to the Basic Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Continued increasing enrollments will pose a challenge to the annual operating budget as additional staff members and resources are required to maintain a comprehensive educational program. In addition, spiraling health benefits and special education costs continue to negatively impact the district's budget. A decrease in state aid levels will only enhance the budget problems.

Many construction and renovation projects will be staged in various parts of the district. Recent legislation entitled the "Educational Facilities Construction and Financing Act" will help fund all major construction and improvement projects for the district. Complete information relating to this topic is available by reviewing the School District's long range facility plan on file in the School Business Administrator's office, 100 Davis Avenue, Kearny, NJ 07032.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the School Business Administrator's Office, Kearny Board of Education, 100 Davis Avenue, Kearny, NJ 07032.

BASIC FINANCIAL STATEMENTS

KEARNY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 17,156,499	$ 248,057	$ 17,404,556
Receivables, net			
Accounts		129,769	129,769
Receivables from Other Governments	48,618,760	68,109	48,686,869
Inventory		7,967	7,967
Internal Balances	120,000	(120,000)	
Capital Assets, Not Being Depreciated	8,352,071		8,352,071
Capital Assets, Being Depreciated, Net	46,109,715	138,942	46,248,657
Total Assets	120,357,045	472,844	120,829,889
LIABILITIES			
Accounts Payable	849,866	68,110	917,976
Payable to State Government	194,592		194,592
Unearned Revenue	44,594,342	2,252	44,596,594
Accrued Interest Payable	195,367		195,367
Note Payable	10,000,000		10,000,000
Noncurrent Liabilities			
Due Within One Year	3,418,775		3,418,775
Due Beyond One Year	28,116,732	-	28,116,732
Total Liabilities	87,369,674	70,362	87,440,036
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	41,472,141	138,942	41,611,083
Restricted for:			
Capital Projects	4,672,748		4,672,748
Unrestricted	(13,157,518)	263,540	(12,893,978)
Total Net Assets	$ 32,987,371	$ 402,482	$ 33,389,853

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

EXHIBIT A-2

KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities							
Instruction							
Regular	$ 41,126,178	$ 60,439	$ 5,619,820		$ (35,445,919)		$ (35,445,919)
Special Education	11,313,129		6,332,607		(4,980,522)		(4,980,522)
Other Instruction	3,252,330		366,441		(2,885,889)		(2,885,889)
School Sponsored Activities and Athletics	1,281,841				(1,281,841)		(1,281,841)
Support Services							
Student and Instruction Related Svcs.	7,113,169		1,533,409		(5,579,760)		(5,579,760)
General Administrative Services	2,423,076				(2,423,076)		(2,423,076)
School Administrative Services	6,238,956		502,270		(5,736,686)		(5,736,686)
Plant Operations and Maintenance	8,712,127		90,260	$ 1,227,985	(7,393,882)		(7,393,882)
Pupil Transportation	1,315,732		29,958		(1,285,774)		(1,285,774)
Business and Other Support Services	1,208,264				(1,208,264)		(1,208,264)
Interest on Long-Term Debt	702,608	-	-	-	(702,608)	-	(702,608)
Total Governmental Activities	84,687,410	60,439	14,474,765	1,227,985	(68,924,221)	-	(68,924,221)
Business-Type Activities							
Food Service	1,788,415	461,515	1,093,172	-	-	$ (233,728)	(233,728)
Total Business-Type Activities	1,788,415	461,515	1,093,172	-	-	(233,728)	(233,728)
Total Primary Government	$ 86,475,825	$ 521,954	$ 15,567,937	$ 1,227,985	(68,924,221)	(233,728)	(69,157,949)
General Revenues:							
Property Taxes, General					45,278,829		45,278,829
Property Taxes, Debt Service					1,198,201		1,198,201
Federal and State Aid - Unrestricted					23,666,188		23,666,188
State Aid- Restricted for Debt Service					482,078		482,078
Investment Income					86,534		86,534
Miscellaneous Income					385,695		385,695
Transfers					(304,078)	304,078	-
Total General Revenues and Transfers					70,793,447	304,078	71,097,525
Change in Net Assets					1,869,226	70,350	1,939,576
Net Assets, Beginning of Year					31,118,145	332,132	31,450,277
Net Assets, End of Year					$ 32,987,371	$ 402,482	$ 33,389,853

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

FUND FINANCIAL STATEMENTS

EXHIBIT B-1

KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 4,476,504	$ 62,544	$ 12,617,451		$ 17,156,499
Due from Other Funds	1,305,319				1,305,319
Receivables, Net					
Receivables From Other Governments	617,040	2,225,102	45,776,618	-	48,618,760
Total Assets	$ 6,398,863	$ 2,287,646	$ 58,394,069	$ -	$ 67,080,578
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 325,661	$ 278,167	$ 246,038		$ 849,866
Due to Other Funds			1,185,319		1,185,319
Payable to State Government		194,592			194,592
Note Payable			10,000,000		10,000,000
Deferred Revenue	-	1,814,887	42,779,455	-	44,594,342
Total Liabilities	325,661	2,287,646	54,210,812	-	56,824,119
Fund Balances					
Restricted					
Capital Reserve	3,805,844				3,805,844
Adult Education Program	52,130				52,130
Excess Surplus	900,634				900,634
Capital Projects			2,831,972		2,831,972
Debt Service			1,351,285		1,351,285
Committed					
Year-End Encumbrances	541,544				541,544
Assigned					
Designated for Subsequent Year's Budget	1,921,015				1,921,015
Year-End Encumbrances	145,585				145,585
Unassigned					
General Fund	(1,293,550)	-	-	-	(1,293,550)
Total Fund Balances	6,073,202	-	4,183,257	-	10,256,459
Total Liabilities and Fund Balances	$ 6,398,863	$ 2,287,646	$ 58,394,069	$ -	

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 $81,852,380 and the accumulated depreciation is $27,390,594.		54,461,786
The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is		(195,367)
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. Long-term liabilities at year end consist of:		
General Obligation Bonds Payable	$ 14,290,000	
Compensated Absences	17,245,507	
		(31,535,507)
Net Assets of Governmental Activities		$ 32,987,371

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

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Property Tax Levy	$ 45,278,829			$ 1,198,201	$ 46,477,030
Miscellaneous	434,280	$ 3,258	$ 118,119	-	555,657
Total - Local Sources	45,713,109	3,258	118,119	1,198,201	47,032,687
State Sources	32,808,745	976,286	1,129,332	482,078	35,396,441
Federal Sources	132,805	4,219,858	78,923	-	4,431,586
Total Revenues	78,654,659	5,199,402	1,326,374	1,680,279	86,860,714
EXPENDITURES					
Current					
Instruction					
Regular Instruction	36,278,925	2,214,556			38,493,481
Special Education Instruction	9,484,881	1,865,734			11,350,615
Other Instruction	3,241,513	32,746			3,274,259
School Sponsored Activities and Athletics	1,287,414				1,287,414
Support Services					
Student and Instruction Related Services	5,823,650	1,308,605			7,132,255
General Administrative Services	2,420,433				2,420,433
School Administrative Services	6,278,848				6,278,848
Plant Operations and Maintenance	8,744,355				8,744,355
Pupil Transportation	1,299,289				1,299,289
Business and Central Services	1,215,647				1,215,647
Debt Service					
Principal				1,075,000	1,075,000
Interest and Other Charges	110,834			605,280	716,114
Capital Outlay	1,872,568	34,439	2,812,030	-	4,719,037
Total Expenditures	78,058,357	5,456,080	2,812,030	1,680,280	88,006,747
Excess (Deficiency) of Revenues Over Expenditures	596,302	(256,678)	(1,485,656)	(1)	(1,146,033)
OTHER FINANCING SOURCES (USES)					
Transfers In	86,826	256,678			343,504
Transfers Out	(560,756)	-	(86,826)	-	(647,582)
Total Other Financing Sources and Uses	(473,930)	256,678	(86,826)	-	(304,078)
Net Change in Fund Balances	122,372	-	(1,572,482)	(1)	(1,450,111)
Fund Balance, Beginning of Year	5,950,830	-	5,755,739	1	11,706,570
Fund Balance, End of Year	$ 6,073,202	$ -	$ 4,183,257	$ -	$ 10,256,459

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

EXHIBIT B-3

KEARNY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)		$ (1,450,111)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.		
Capital Outlays	$ 4,719,037	
Depreciation Expense	(2,931,674)	
		1,787,363
In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):		
Net Decrease in Compensated Absences Liability		443,469
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		
Serial Bond Principal Paid		1,075,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
Decrease in Accrued Interest		13,505
Change in Net Assets of Governmental Activities (Exhibit A-2)		$ 1,869,226

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

EXHIBIT B-4

KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Business-Type Activities Enterprise Fund Food Service
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 248,057
Intergovernmental Accounts Receivable	68,109
Other Accounts Receivable	129,769
Inventories	7,967
Total Current Assets	453,902
Capital Assets	
Furniture, Machinery and Equipment	308,854
Less Accumulated Depreciation	(169,912)
Total Capital Assets	138,942
Total Assets	592,844
LIABILITIES	
Current Liabilities	
Accounts Payable	68,110
Due to Other Funds	120,000
Unearned Revenue	2,252
Total Current Liabilities	190,362
Total Liabilities	190,362
NET ASSETS	
Invested in Capital Assets	138,942
Unrestricted	263,540
Total Net Assets	$ 402,482

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

EXHIBIT B-5

KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Fund Food Service
OPERATING REVENUES	
Charges for Services	
Daily Sales	$ 453,435
Special Functions	8,080
Total Operating Revenues	461,515
OPERATING EXPENSES	
Cost of Sales	710,130
Salaries and Wages	713,178
Employee Benefits	91,751
Management Fee	66,675
Other Expenses	147,628
Supplies and Materials	44,001
Depreciation	15,052
Total Operating Expenses	1,788,415
Operating Income (Loss)	(1,326,900)
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	22,223
Federal Sources	
National School Lunch Program	989,535
National School Breakfast Program	50,379
Fresh Fruits and Vegetables Grant	31,035
Total Nonoperating Revenues	1,093,172
Operating (Loss) Before Transfers	(233,728)
Transfers In	304,078
Change in Net Assets	70,350
Net Assets, Beginning of Year	332,132
Net Assets, End of Year	$ 402,482

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

EXHIBIT B-6

KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 461,515
Payments for Employees Salaries and Benefits	(804,929)
Payments to Suppliers	(852,160)
Net Cash Provided by (Used For) Operating Activities	(1,195,574)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from General Fund	304,078
State and Federal Sources	1,018,436
Net Cash Provided By Non-Capital Financing Activities	1,322,514
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(21,380)
Net Cash (Used for) Capital and Related Financing Activities	(21,380)
Net Decrease in Cash and Cash Equivalents	105,560
Cash and Cash Equivalents, Beginning of Year	142,497
Cash and Cash Equivalents, End of Year	$ 248,057
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	$ (1,326,900)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Depreciation	15,052
Food Distribution (USDA Commodities) National School Lunch Program	91,622
(Increase) Decrease in Other Accounts Receivable	(18,779)
(Increase) Decrease in Inventories	(401)
Increase (Decrease) in Unearned Revenue	717
Increase (Decrease) in Interfund Payable	60,000
Increase (Decrease) in Accounts Payable	(16,885)
Total Adjustments	131,326
Net Cash Provided By (Used For) Operating Activities	$ (1,195,574)
Non-Cash Financing Activities:	
Fair Value of Food Distribution Program Commodities Received-National School Lunch Program	$ 91,622

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

KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2011

	Scholarship Trust Funds	Unemployment Compensation Trust Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	$ 204,625	$ 915,021	$ 610,257
Due from Other Funds	-	1,121	-
Total Assets	204,625	916,142	$ 610,257
LIABILITIES			
Intergovernmental Payable		27,071	
Accounts Payable		505	
Due to Other Funds			$ 1,121
Due To Student Groups			227,631
Payroll Deductions and Withholdings	-	-	381,505
Total Liabilities	-	27,576	$ 610,257
NET ASSETS			
Held In Trust For Unemployment Claims and Other Purposes	$ 204,625	$ 888,566	

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

KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Scholarship Trust Funds	Unemployment Compensation Trust Fund
ADDITIONS		
Interest Earnings	$ 2,276	$ 3,472
Employee Contributions	-	111,586
Total Additions	2,276	115,058
DEDUCTIONS		
Scholarships Awarded	2,550	
Administrative Expenses		6,065
Unemployment Claims and Contributions	-	106,701
Total Deductions	2,550	112,766
Change in Net Assets	(274)	2,292
Net Assets, Beginning of Year	204,899	886,274
Net Assets, End of Year	$ 204,625	$ 888,566

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Kearny Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Kearny Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. Basic Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state and federal aid and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental and enterprise funds to be major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

> The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the District reports the following fund type:

> The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state and federal aid, investment earnings and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

> *Tuition Expenditures* - Tuition charges for the fiscal years 2009-2010 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land Improvements	20
Buildings	40
Building Improvements	10-20
Machinery and Equipment	5-20
Computer Equipment	5

5. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned.

6. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that is required to be appropriated in the 2012/2013 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Adult Education Programs – This restriction was created in accordance with NJSA 18A:50-6 to represent the accumulated surplus from excess program fees and sources other than property taxes over the operating costs of the District's Adult Education Program.

Capital Projects – Represents fund balance assigned specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance assigned specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity (Continued)

Assigned Fund Balance – Amounts a Board intends to use for a specific purpose; intent can be expressed by the Board of Trustees or by an official or body to which the Board delegates the authority.

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2011/2012 District budget certified for taxes.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

8. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2010/2011. During 2010/2011 the Board increased the original budget by $4,999,162. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

B. Deficit Fund Equity

The District has an unassigned deficit fund balance of $1,293,550 in the General Fund as of June 30, 2011 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2010/2011 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund balance deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of $1,293,550 in the General Fund is less than the delayed state aid payments.

C. Capital Reserve

A capital reserve account was established by the District on October 16, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

Funds placed in the capital reserve 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. 6:23A-14.1(g), the balance in the reserve 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 fiscal year ended June 30, 2011 is as follows:

Balance, July 1, 2010		$ 1,809,371
Increases:		
Deposit Approved by Board of Trustees	$ 1,989,139	
Interest Earnings	7,334	
		1,996,473
Balance, June 30, 2011		$ 3,805,844

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2011 is $900,634. This amount will be appropriated in the 2012/2013 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or $200 million for all deposits not covered by the FDIC.

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At June 30, 2011, the book value of the Board's deposits was $19,134,459 and bank balances of the Board's cash and deposits amounted to $21,387,999. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

Depository Account	
Insured	$ 21,387,999
	$ 21,387,999

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. At June 30, 2011 none of the Board's bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2011, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

B. Receivables

Receivables as of June 30, 2011 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Projects	Food Service	Total
Receivables:					
Accounts				$ 129,769	$ 129,769
Intergovernmental	$ 617,040	$ 2,225,102	$ 45,776,618	68,109	48,686,869
Gross Receivables	617,040	2,225,102	45,776,618	197,878	48,816,638
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	$ 617,040	$ 2,225,102	$ 45,776,618	$ 197,878	$ 48,816,638

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unearned
Special Revenue Fund	
Unencumbered Grant Draw Downs	$ 1,814,887
Capital Projects Fund	
Unrealized School Facility Grants	42,779,455
Total Deferred Revenue for Governmental Funds	$44,594,342

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance, July 1, 2010	Increases	Decreases/ Adjustments	Balance, June 30, 2011
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 245,000			$ 245,000
Construction in Progress	29,465,949	$ 4,044,580	$ (25,403,458)	8,107,071
Total Capital Assets, Not Being Depreciated	29,710,949	4,044,580	(25,403,458)	8,352,071
Capital Assets, Being Depreciated:				
Land Improvements	123,555			123,555
Buildings and Improvements	46,497,193	25,403,458		71,900,651
Machinery and Equipment	6,286,614	674,457	(5,484,968)	1,476,103
Total Capital Assets Being Depreciated	52,907,362	26,077,915	(5,484,968)	73,500,309
Less Accumulated Depreciation for:				
Land Improvements	(6,178)	(6,178)		(12,356)
Buildings and Improvements	(24,327,204)	(2,782,196)		(27,109,400)
Machinery and Equipment	(5,610,506)	(143,300)	5,484,968	(268,838)
Total Accumulated Depreciation	(29,943,888)	(2,931,674)	5,484,968	(27,390,594)
Total Capital Assets, Being Depreciated, Net	22,963,474	23,146,241	-	46,109,715
Governmental Activities Capital Assets, Net	$ 52,674,423	$ 27,190,821	$ (25,403,458)	$ 54,461,786

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2010	Increases	Decreases/ Adjustments	Balance, June 30, 2011
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	$ 287,474	$ 21,380	-	$ 308,854
Total Capital Assets Being Depreciated	287,474	21,380	-	308,854
Less Accumulated Depreciation for:				
Machinery and Equipment	(154,860)	(15,052)	-	(169,912)
Total Accumulated Depreciation	(154,860)	(15,052)	-	(169,912)
Business-Type Activities Capital Assets, Net	$ 132,614	$ 6,328	$ -	$ 138,942

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	
Regular	$ 2,871,078
Special	1,443
Total Instruction	2,872,521
Support Services	
Support Services - Students	15,870
General Administration	14,139
School Administration	2,020
Operations and Maintenance of Plant	18,756
Student Transportation	8,368
Total Support Services	59,153
Total Depreciation Expense - Governmental Activities	$ 2,931,674
Business-Type Activities:	
Food Service Fund	$ 15,052
Total Depreciation Expense-Business-Type Activities	$ 15,052

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction commitments

The District has the following active construction projects as of June 30, 2011:

Project	Remaining Commitment
Kearny High School - Façade	$ 1,822,799
Aircraft Noise Abatement - Kearny High School	38,235,655
Franklin School Annex and Administration Offices	1,665,158
Alterations to Franklin School	27,840
	$ 41,751,452

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	$ 1,185,319
General Fund	Food Service Enterprise Fund	120,000
Unemployment Compensation Trust Fund	Payroll Agency Fund	1,121
Total		$ 1,306,440

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	Transfer In:			
	General	Special Revenue Fund	Enterprise Fund	Total
Transfer Out:				
General Fund		$ 256,678	$ 304,078	$ 560,756
Capital Projects Fund	$ 86,826	-	-	86,826
Total transfers out	$ 86,826	$ 256,678	$ 304,078	$ 647,582

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers (Continued)

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

E. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2011 are comprised of the following issues:

$3,650,000, 2005 Bonds, due in annual installments of $155,000 to $230,000 through July 15, 2025, interest at 3.2% to 4.25%	$2,965,000
$12,725,000, 2007 Bonds, due in annual installments of $925,000 to $950,000 through July 15, 2022, interest at 4.00 to 4.25%	11,325,000
	$14,290,000

Governmental Activities:

	Serial Bonds		
Fiscal Year	Principal	Interest	Total
2012	$ 1,080,000	$ 563,400	$ 1,643,400
2013	1,090,000	521,239	1,611,239
2014	1,095,000	478,795	1,573,795
2015	1,125,000	434,502	1,559,502
2016	1,140,000	388,148	1,528,148
2017-2021	5,750,000	1,234,628	6,984,628
2022-2026	3,010,000	200,176	3,210,176
	$ 14,290,000	$ 3,820,888	$ 18,110,888

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

4% of Equalized Valuation Basis (Municipal)	$ 154,205,149
Less: Net Debt	(14,290,000)
Remaining Borrowing Power	$ 139,915,149

Changes In Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance, July 1, 2010	Additions	Reductions	Balance, June 30, 2011	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 15,365,000		$ 1,075,000	$ 14,290,000	$ 1,080,000
Compensated Absences	17,688,976	$ 1,391,216	1,834,685	17,245,507	2,338,775
Governmental Activity Long-Term Liabilities	$ 33,053,976	$ 1,391,216	$ 2,909,685	$ 31,535,507	$ 3,418,775

For the governmental activities, compensated absences are generally liquidated by the general fund.

F. Short-Term Debt

Grant Anticipation Notes

The Board issued Grant Anticipation Notes to interim finance capital projects which are anticipated to be funded by the State Development Authority's Facility Construction Grants. The Board's short-term debt activity for the fiscal year ended June 30, 2011 was as follows:

Purpose	Balance, July 1, 2010	Increases	Decreases	Balance, June 30, 2011
Grant Anticipation Note	$ -	$ 10,000,000	$ -	$ 10,000,000
	$ -	$ 10,000,000	$ -	$ 10,000,000

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (SAIF). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

The SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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 fiduciary trust fund for the current and previous two years:

Fiscal Year Ended June 30,	Employee Contributions	Amount Reimbursed	Ending Balance
2011	$ 111,586	$ 106,701	$ 888,566
2010	119,051	143,993	886,274
2009	108,652	87,415	916,519

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2011, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation (Continued)

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as $1/7^{th}$ of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of $45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and $30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and $15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the fiscal year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2011, 2010 and 2009 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	PERS	On-behalf TPAF	DCRP
2011	$ 774,420	$ 110,329	$ 16,168
2010	586,301	122,020	
2009	484,375	116,058	

During the last three fiscal years the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed $110,329, $122,020 and $116,058 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $2,826,934 during the fiscal year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a $56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to $20.5 billion for state active and retired members and $36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed $883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid $126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2011, 2010 and 2009 were $2,343,396, $2,291,701 and $2,214,094 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Taxes	$ 45,278,829		$ 45,278,829	$ 45,278,829	
Unrestricted Miscellaneous Revenues	761,000	-	761,000	373,841	$ (387,159)
Total Local Sources	46,039,829	-	46,039,829	45,652,670	(387,159)
Intermediate Sources					
Restricted Miscellaneous Revenues	60,000	-	60,000	60,439	439
State Sources					
Equalization Aid	25,577,829		25,577,829	23,429,575	(2,148,254)
Categorical Special Education Aid	1,117,328		1,117,328	3,265,582	2,148,254
Extraordinary Aid	179,417		179,417	343,798	164,381
On Behalf TPAF (Non Budgeted)					
NCGI Premium				110,329	110,329
Post Retirement Medical Contributions				2,343,396	2,343,396
Reimbursed Social Security Contribution	-	-	-	2,826,934	2,826,934
Total State Sources	26,874,574	-	26,874,574	32,319,614	5,445,040
Federal Sources					
Medicaid Assistance Program (SEMI)	80,907	-	80,907	132,805	51,898
Total Federal Sources	80,907	-	80,907	132,805	51,898
Total Revenues	73,055,310	-	73,055,310	78,165,528	5,110,218
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	1,764,939	$ 1,349	1,766,288	1,766,287	1
Grades 1-5	9,159,092	(151,349)	9,007,743	8,845,521	162,222
Grades 6-8	5,939,981	(165,625)	5,774,356	5,508,970	265,386
Grades 9-12	10,175,097	(986,293)	9,188,804	9,188,804	
Regular Programs - Home Instruction					
Salaries of Teachers	140,622	6,074	146,696	146,696	
Purchased Professional Educational Services	35,700	(6,074)	29,626	9,368	20,258
Regular Programs - Undistributed Instruction					
Purchased Professional Educational Services	12,852	8,515	21,367	9,015	12,352
Other Purchased Services	397,840	(20,000)	377,840	288,576	89,264
General Supplies	1,247,060	(188,130)	1,058,930	899,041	159,889
Textbooks	255,685	(66,640)	189,045	181,420	7,625
Other Objects	244,188	13,882	258,070	178,373	79,697
Total Regular Programs	29,373,056	(1,554,291)	27,818,765	27,022,071	796,694
Learning /Language Disabilities					
Salaries of Teachers	1,235,063	57,553	1,292,616	1,292,616	
General Supplies	12,071	(4,000)	8,071	4,269	3,802
Textbooks	13,464	(11,553)	1,911	1,505	406
Other Objects	2,550	-	2,550	1,233	1,317
Total Learning /Language Disabilities	1,263,148	42,000	1,305,148	1,299,623	5,525
Behavioral Disabilities					
Salaries of Teachers	55,941	2,010	57,951	57,951	
General Supplies	1,071	(1,071)			
Textbooks	1,302	(939)	363	-	363
Total Behavioral Disabilities	58,314	-	58,314	57,951	363

Continued

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	$ 2,911,892	$ (115,000)	$ 2,796,892	$ 2,706,094	$ 90,798
General Supplies	4,623		4,623	4,030	593
Textbooks	7,515	-	7,515	2,103	5,412
Total Resource Room/Resource Center	2,924,030	(115,000)	2,809,030	2,712,227	96,803
Preschool Disabilities - Part - Time					
Salaries of Teachers	127,332		127,332	104,807	22,525
General Supplies	2,443	-	2,443	1,238	1,205
Total Preschool Disabilities - Part - Time	129,775	-	129,775	106,045	23,730
Total Special Education	4,375,267	(73,000)	4,302,267	4,175,846	126,421
Basic Skills/Remedial					
Salaries of Teachers	657,471	37,226	694,697	694,697	
General Supplies	91,035	(50,000)	41,035	1	41,034
Textbooks	14,280	-	14,280	-	14,280
Total Basic Skills/Remedial	762,786	(12,774)	750,012	694,698	55,314
Bilingual Education					
Salaries of Teachers	1,654,568	(237,226)	1,417,342	1,397,075	20,267
General Supplies	5,855		5,855		5,855
Textbooks	5,457		5,457		5,457
Other Objects	838	-	838	-	838
Total Bilingual Education	1,666,718	(237,226)	1,429,492	1,397,075	32,417
Vocational Programs- Local - Instruction					
Salaries of Teachers	250,356	2,046	252,402	252,402	
General Supplies	55,522	1,421	56,943	27,070	29,873
Total Vocational Programs- Local - Instruction	305,878	3,467	309,345	279,472	29,873
School Sponsored Co/Extra Curricular Activities					
Salaries	602,814	(479,204)	123,610	123,610	
Purchased Services	371,927	(355,625)	16,302	15,004	1,298
Supplies and Materials	140,936	(131,656)	9,280	9,280	
Other Objects	23,163	(21,540)	1,623	1,623	
Athletic Physicians	3,500	(3,500)	-	-	-
Total School Sponsored Co/Extra Curricular Activities	1,142,340	(991,525)	150,815	149,517	1,298
School Sponsored Athletics					
Salaries		472,923	472,923	472,152	771
Purchased Services		247,193	247,193	190,185	57,008
Supplies and Materials		134,152	134,152	115,145	19,007
Other Objects	-	137,996	137,996	127,824	10,172
Total School Sponsored Athletics	-	992,264	992,264	905,306	86,958

Continued

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Before/After School Programs Instruction					
Supplies	-	$ 1,987	$ 1,987	$ 1,987	-
Total Before/After School Programs Instruction	-	1,987	1,987	1,987	-
Total - Instruction	$ 37,626,045	(1,871,098)	35,754,947	34,625,972	$ 1,128,975
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Special	229,418		229,418	204,734	24,684
Tuition to CSSD & Regional Day Schools	434,224		434,224	384,250	49,974
Tuition to Private School for Handicapped W/I	3,499,161		3,499,161	3,218,053	281,108
Tuition - State Facilities	31,909	(4,300)	27,609	22,199	5,410
Total Undistributed Expenditures - Instruction	4,194,712	(4,300)	4,190,412	3,829,236	361,176
Attendance and Social Work					
Salaries	12,842	-	12,842	11,603	1,239
Total Attendance and Social Work	12,842	-	12,842	11,603	1,239
Health Services					
Salaries	626,296	20,885	647,181	647,180	1
Purchased Professional and Technical Services	8,160		8,160	8,000	160
Other Purchased Services	202,244	(96,322)	105,922	99,250	6,672
Supplies and Materials	2,406	4,102	6,508	6,148	360
Total Health Services	839,106	(71,335)	767,771	760,578	7,193
Speech, OT, PT & Related Services					
Purchased Professional - Educational Services	400,000	95,000	495,000	492,617	2,383
Total Speech, OT, PT & Related Services	400,000	95,000	495,000	492,617	2,383
Guidance					
Salaries of Other Professional Staff	1,451,650	(29,231)	1,422,419	1,413,455	8,964
Salaries of Secretarial and Clerical Assistants	120,412	-	120,412	103,441	16,971
Total Guidance	1,572,062	(29,231)	1,542,831	1,516,896	25,935
Child Study Teams					
Salaries of Other Professional Staff	559,469	3,884	563,353	535,433	27,920
Salaries of Secretarial and Clerical Assistants	103,570	1,682	105,252	105,252	
Supplies and Materials	17,435	8,000	25,435	20,561	4,874
Total Child Study Teams	680,474	13,566	694,040	661,246	32,794
Improvement of Instructional Service					
Salaries of Secretarial and Clerical Assistants	26,980	170	27,150	27,150	
Salaries of Facilitators, Math & Literacy Coaches	188,675	(8,558)	180,117	102,468	77,649
Total Improvement of Instructional Service	215,655	(8,388)	207,267	129,618	77,649

Continued

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	$ 782,438	$ 8,388	$ 790,826	$ 790,826	
Supplies and Materials	30,472	229	30,701	30,051	$ 650
Total Educational Media Services/School Library	812,910	8,617	821,527	820,877	650
Instructional Staff Training Services					
Purchased Professional-Educational Services	10,300	6,500	16,800	6,886	9,914
Supplies and Materials	7,650		7,650	2,978	4,672
Other Objects	20,600	-	20,600	8,020	12,580
Total Improvement of Instructional Service	38,550	6,500	45,050	17,884	27,166
Support Services General Administration					
Salaries	1,210,270	140,747	1,351,017	1,228,874	122,143
Legal Services	97,920	58,252	156,172	120,244	35,928
Audit Fees	53,244	(12,251)	40,993	40,699	294
Architectural/Engineering Services	37,434	(8,947)	28,487	21,900	6,587
Other Purchased Professional Services	59,670	7,947	67,617	42,864	24,753
Purchased Technical Services	126,930	(960)	125,970	57,225	68,745
Communications/Telephone	254,756	4,247	259,003	243,115	15,888
Other Purchased Services	114,004	5,966	119,970	118,265	1,705
General Supplies	15,114		15,114	9,842	5,272
Miscellaneous Expenditures	60,011		60,011	29,978	30,033
BOE Membership Dues and Fees	28,908	-	28,908	27,663	1,245
Total Support Services General Administration	2,058,261	195,001	2,253,262	1,940,669	312,593
Support Services School Administration					
Salaries of Principals/Asst. Principals	2,373,691	1,379,384	3,753,075	3,528,396	224,679
Salaries of Secretarial and Clerical Assistants	1,057,245	41,280	1,098,525	951,914	146,611
Other Purchased Services	48,700	(5,280)	43,420	25,174	18,246
Supplies and Materials	47,558	(3,910)	43,648	38,214	5,434
Other Objects	85,373	7,522	92,895	90,010	2,885
Total Support Services School Administration	3,612,567	1,418,996	5,031,563	4,633,708	397,855
Central Services					
Salaries	668,745	50,000	718,745	644,463	74,282
Purchased Professional Services	97,584	64,460	162,044	80,660	81,384
Purchased Technical Services	33,558	15,000	48,558	19,850	28,708
Miscellaneous Purchased Services	10,710		10,710		10,710
Supplies and Materials	20,247		20,247	13,347	6,900
Other Objects	5,059	-	5,059	4,405	654
Total Central Services	835,903	129,460	965,363	762,725	202,638
Admin. Info. Technology					
Salaries	373,995	(155,000)	218,995	144,790	74,205
Purchased Technical Services	4,177	-	4,177	-	4,177
Total Admin. Info. Technology	378,172	(155,000)	223,172	144,790	78,382

Continued

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Required Maintenance for School Facilities					
Salaries	$ 1,165,983	$ 157,003	$ 1,322,986	$ 1,322,986	
Cleaning, Repair and Maintenance Services	766,864	(29,603)	737,261	590,124	$ 147,137
General Supplies	405,264	-	405,264	206,800	198,464
Total Required Maint. for School Facilities	2,338,111	127,400	2,465,511	2,119,910	345,601
Custodial Services					
Salaries	2,989,167		2,989,167	2,711,391	277,776
Rental of Land & Bldg. Oth. Than Lease Purch Agreement	61,844	27,600	89,444	84,844	4,600
Insurance	217,302		217,302	205,744	11,558
General Supplies	199,316	689	200,005	135,130	64,875
Energy (Oil)	75,200		75,200	60,399	14,801
Energy (Natural Gas)	830,000	(10,235)	819,765	602,591	217,174
Energy (Electricity)	840,000		840,000	805,523	34,477
Other Objects	49,164	-	49,164	19,198	29,966
Total Custodial Services	5,261,993	18,054	5,280,047	4,624,820	655,227
Care and Upkeep of Grounds					
Salaries	157,096	748	157,844	157,844	-
Total Care and Upkeep of Grounds	157,096	748	157,844	157,844	-
Security					
Salaries	162,864	(748)	162,116	147,508	14,608
Total Security	162,864	(748)	162,116	147,508	14,608
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Special Ed.	250,540		250,540	247,253	3,287
Contracted Services (Other than Between Home and School)	28,748	10,000	38,748	37,192	1,556
Cleaning, Repair & Maint. Services	24,480	1,445	25,925	25,925	
Misc. Purchased Services- Transportation		650	650	324	326
Contracted Services (Between Home and School)-Vendors	1,210,963	(48,310)	1,162,653	891,489	271,164
Transportation Supplies	4,080	-	4,080	576	3,504
Total Student Transportation Services	1,518,811	(36,215)	1,482,596	1,202,759	279,837
Unallocated Benefits					
Group Insurance	24,150		24,150	19,000	5,150
Social Security Contribution	1,070,000		1,070,000	974,338	95,662
Other Retirement Contributions	635,852	180,000	815,852	797,300	18,552
Workmen's Compensation	487,063		487,063	443,703	43,360
Health Benefits	10,862,484	(375,000)	10,487,484	9,863,062	624,422
Tuition Reimbursement	51,000	-	51,000	36,302	14,698
Total Unallocated Benefits	13,130,549	(195,000)	12,935,549	12,133,705	801,844

Continued

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
On Behalf TPAF (Non Budgeted)					
NCGI Premium				$ 110,329	$ (110,329)
Post Retirement Medical Contributions				2,343,396	(2,343,396)
Social Security Contribution	-	-	-	2,826,934	(2,826,934)
Total TPAF Contributions	-	-	-	5,280,659	(5,280,659)
Total Undistributed Expenditures	$ 38,220,638	$ 1,513,125	$ 39,733,763	41,389,652	(1,655,889)
Total Current Expenditures	75,846,683	(357,973)	75,488,710	76,015,624	(526,914)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
Instruction		425,798	425,798	13,953	411,845
Operation and Maintenance of Plant Serv.		197,546	197,546	197,546	
Security		433,670	433,670	422,177	11,493
Athletic Equipment	-	22,620	22,620	6,342	16,278
Total Equipment	-	1,079,634	1,079,634	640,018	439,616
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		37,533	37,533	33,435	4,098
Construction Services		1,202,215	1,202,215	1,199,115	3,100
Other Objects	-	110,834	110,834	110,834	-
Total Facilities Acquis. and Const. Services	-	1,350,582	1,350,582	1,343,384	7,198
Total Capital Outlay	-	2,430,216	2,430,216	1,983,402	446,814
SPECIAL SCHOOLS					
Adult Education - Local - Instruction					
Salaries	50,000	(20,000)	30,000	26,590	3,410
Purchased Professional and Technical Services		20,000	20,000	14,725	5,275
Supplies and Materials	20,000	-	20,000	18,016	1,984
Total Adult Education - Local - Instruction	70,000	-	70,000	59,331	10,669
Total Special Schools	70,000	-	70,000	59,331	10,669
Total Expenditures	75,916,683	2,072,243	77,988,926	78,058,357	(69,431)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,861,373)	(2,072,243)	(4,933,616)	107,171	5,040,787
Other Financing Sources (Uses)					
Operating Transfers Out-Food Service	(339,559)	-	(339,559)	(304,078)	35,481
Operating Transfers In - Capital Projects Fund				86,826	86,826
Operating Transfers Out-Preschool Education	(256,678)	-	(256,678)	(256,678)	-
Total Other Financing Sources (Uses)	(596,237)	-	(596,237)	(473,930)	122,307
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	(3,457,610)	(2,072,243)	(5,529,853)	(366,759)	5,163,094
Fund Balances, Beginning of Year	9,364,661	-	9,364,661	9,364,661	-
Fund Balances, End of Year	$ 5,907,051	$ (2,072,243)	$ 3,834,808	$ 8,997,902	$ 5,163,094

Continued

EXHIBIT C-1

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Actual
Recapitulation of Fund Balance	
Restricted	
Adult Education Program	$ 52,130
Capital Reserve	3,805,844
Excess Surplus	900,634
Committed	
Year-End Encumbrances	541,544
Assigned	
Designated for Subsequent Year's Budget	1,921,015
Year-End Encumbrances	145,585
Unassigned	1,631,150
	8,997,902
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Not Recognized on GAAP Basis (June 30, 2011)	2,924,700
Fund Balance Per Governmental Funds (GAAP)	$ 6,073,202

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT C-2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
State Sources	$ 975,566	$ 322,324	$ 1,297,890	$ 975,147	$ (322,743)
Local Sources		4,530	4,530	3,258	(1,272)
Federal Sources	2,265,504	2,600,065	4,865,569	4,218,196	(647,373)
Total Revenues	3,241,070	2,926,919	6,167,989	5,196,601	(971,388)
EXPENDITURES					
Instruction					
Salaries of Teachers	1,626,597	616,050	2,242,647	2,203,509	39,138
Other Salaries for Instruction	94,500	184,575	279,075	236,046	43,029
Purchased Prof. and Tech. Svcs.	285,075	236,761	521,836	294,816	227,020
Other Purchased Services		274,654	274,654		274,654
Tuition	995,146	242,933	1,238,079	1,173,727	64,352
General Supplies	34,767	248,637	283,404	173,858	109,546
Textbooks	22,134	26,556	48,690	25,744	22,946
Other Objects	-	6,439	6,439	2,535	3,904
Total Instruction	3,058,219	1,836,605	4,894,824	4,110,235	784,589
Support Services					
Salaries of Program Directors		47,644	47,644	47,644	-
Salaries of Other Professional Staff		42,000	42,000	41,998	2
Salaries of Secretarial and Clerical Asst.		26,921	26,921	26,921	-
Other Salaries	26,247	(4,962)	21,285	21,284	1
Salaries of Master Teacher		63,793	63,793	60,935	2,858
Personal Services - Employee Benefits	158,297	727,312	885,609	833,098	52,511
Purchased Prof./Educ. Svcs.	221,750	5,466	227,216	194,080	33,136
Purchased Educ. Svcs.- Contracted PreK	5,000	10,553	15,553	3,056	12,497
Purchased Tech Services		5,100	5,100	2,400	2,700
Travel	500	10,365	10,865	7,423	3,442
Other Purchased Services		36,707	36,707	31,864	4,843
Supplies and Materials	2,000	108,911	110,911	36,102	74,809
Other Objects	-	1,800	1,800	1,800	-
Total Support Services	413,794	1,081,610	1,495,404	1,308,605	186,799
Total Allocated Benefits	-	-	-	-	-
Facilities Acquisition and Const. Serv. Equipment	25,735	8,704	34,439	34,439	-
Total Facilities Acq. and Const. Serv.	25,735	8,704	34,439	34,439	-
Total Expenditures	3,497,748	2,926,919	6,424,667	5,453,279	971,388
Excess (Deficiency) of Revenues Over (Under) Expenditures	(256,678)	-	(256,678)	(256,678)	-
Budgeted Transfer from General Fund	256,678		256,678	256,678	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	$ -	$ -	$ -	$ -	$ -

KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		General Fund		Special Revenue Fund
Sources/Inflows of Resources				
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule	(C-1)	$ 78,165,528	(C-2)	$ 5,196,601
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 Encumbrances				2,801
State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2010)		3,413,831		42,036
State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2011)		(2,924,700)		(42,036)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2)	$ 78,654,659	(B-2)	$ 5,199,402
Uses/Outflows of Resources				
Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule	(C-1)	$ 78,058,357	(C-2)	$ 5,453,279
Differences - Budget to GAAP				
Encumbrances for good and services ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the goods and services are received for financial reporting purposes (net)		-		2,801
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2)	$ 78,058,357	(B-2)	$ 5,456,080

SPECIAL REVENUE FUND

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	No Child Left Behind (NCLB)						IDEA					
	Title I	ARRA Title I	Title II-A	Title III	Title II-D	Title IV	Basic	ARRA Basic	Preschool	ARRA Preschool	Sub-Total Page 2	Grand Total
REVENUES												
Intergovernmental												
State											$ 975,147	$ 975,147
Local											3,258	3,258
Federal	$ 1,113,078	$ 708,257	$ 209,094	$ 40,784	$ 8,415	$ 4,424	$ 1,246,469	$ 796,166	$ 29,408	$ 1,120	60,981	4,218,196
Total Revenues	1,113,078	708,257	209,094	40,784	8,415	4,424	1,246,469	796,166	29,408	1,120	1,039,386	5,196,601
EXPENDITURES												
Instruction												
Salaries of Teachers	674,212	453,437	68,131	13,405	2,940			589,638			401,746	2,203,509
Other Salaries for Instruction	134,626	998									100,422	236,046
Purchased Prof. and Technical Services	38,657	13,812									242,347	294,816
Other Purchased Services											-	-
Tuition							1,144,862		28,865			1,173,727
General Supplies	36,781	38,791	200	20,067	4,451	4,424	17,189	4,614	543	1,120	45,678	173,858
Textbooks	633			3,682							21,429	25,744
Other Objects	125	-	813	-	-	-	1,597	-	-	-	-	2,535
Total Instruction	885,034	507,038	69,144	37,154	7,391	4,424	1,163,648	594,252	29,408	1,120	811,622	4,110,235
Support Services												
Salaries of Supervisors of Instruction											47,644	47,644
Salaries of Other Prof. Staff							41,998				-	41,998
Salaries of Secretarial & Clerical Asst.											26,921	26,921
Other Salaries											21,284	21,284
Salaries of Master Teacher			60,935									60,935
Personal Svcs-Employee Benefits	213,665	199,550	47,310	1,025	505		14,431	186795			169,817	833,098
Purchased Prof. Educ. Services	11,300		5,950				17,518				159,312	194,080
Purchased Educ Svcs - Contracted Pre K											3,056	3,056
Purchased Technical Services											2,400	2,400
Travel			7,289								134	7,423
Other Purchased Services	1,450	1,170	7,998				5,572				15,674	31,864
Supplies and Materials	1,629	499	10,468	2,605	519		3,302	6,415			10,665	36,102
Other Objects	-	-	-	-	-	-	-	-	-	-	1,800	1,800
Total Support Services	228,044	201,219	139,950	3,630	1,024	-	82,821	193,210	-	-	458,707	1,308,605
Facilities Acq. and Construction Instructional Equip.	-	-	-	-	-	-	-	8,704	-	-	25,735	34,439
Total Facilities Acq. & Constr.	-	-	-	-	-	-	-	8,704	-	-	25,735	34,439
Total Expenditures	1,113,078	708,257	209,094	40,784	8,415	4,424	1,246,469	796,166	29,408	1,120	1,296,064	5,453,279
(Deficiency) of Revenues Under Expenditures	-	-	-	-	-	-	-	-	-	-	(256,678)	(256,678)
Budgeted Transfer from General Fund											256,678	256,678
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Continued

EXHIBIT E-1

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Donations	Carl D. Perkins	SVBSPG	Nonpublic Nursing Services	Nonpublic Textbooks	ESL	Supplemental Instruction	Compensatory Education	Exam & Classification	Corrective Speech	Preschool Education Aid	Sub-Total to Page 1
REVENUES												
Intergovernmental												
State			$ 277,539	$ 25,391	$ 21,429	$ 25,188	$ 20,706	$ 117,469	$ 59,685	$ 15,959	$ 411,781	$ 975,147
Local	$ 3,258											3,258
Federal	-	$ 60,981	-	-	-	-	-	-	-	-	-	60,981
Total Revenues	3,258	60,981	277,539	25,391	21,429	25,188	20,706	117,469	59,685	15,959	411,781	1,039,386
EXPENDITURES												
Instruction												
Salaries of Teachers											401,746	401,746
Other Salaries for Instruction											100,422	100,422
Purchased Prof. and												-
Technical Services		3,340				25,188	20,706	117,469	59,685	15,959		242,347
Other Purchased Services												-
General Supplies	1,258	29,406									15,014	45,678
Textbooks					21,429							21,429
Other Objects	-	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	1,258	32,746	-	-	21,429	25,188	20,706	117,469	59,685	15,959	517,182	811,622
Support Services												
Salaries of Supervisors of Instruction			47,644									47,644
Salaries of Other Prof. Staff												-
Salaries of Secretarial & Clerical Asst.			26,921									26,921
Other Salaries				21,284								21,284
Personal Svcs-Employee Benefits			20,804	1,589							147,424	169,817
Purchased Prof. Educ. Services			159,036	276								159,312
Purchased Educ Svcs - Contracted Pre K											3,056	3,056
Purchased Technical Services			2,400									2,400
Travel			134									134
Other Purchased Services		2,500	13,174									15,674
Supplies and Materials	2,000		5,626	2,242							797	10,665
Other Objects	-	-	1,800	-	-	-	-	-	-	-	-	1,800
Total Support Services	2,000	2,500	277,539	25,391	-	-	-	-	-	-	151,277	458,707
Facilities Acq. and Construction												
Instructional Equip.	-	25,735	-	-	-	-	-	-	-	-	-	25,735
Total Facilities Acq. & Constr.	-	25,735	-	-	-	-	-	-	-	-	-	25,735
Total Expenditures	3,258	60,981	277,539	25,391	21,429	25,188	20,706	117,469	59,685	15,959	668,459	1,296,064
(Deficiency) of Revenues Under Expenditures	-	-	-	-	-	-	-	-	-	-	(256,678)	(256,678)
Budgeted Transfer from General Fund											256,678	256,678
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

EXHIBIT E-2

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
EXPENDITURES					
Instruction					
Salaries of Teachers	$ 401,741	$ 25,629	$ 427,370	$ 401,746	$ 25,624
Other Salaries for Instruction	94,500	10,000	104,500	100,422	4,078
General Supplies	15,000	25,323	40,323	15,014	25,309
Total Instruction	511,241	60,952	572,193	517,182	55,011
Support Services					
Personal Services - Employee Benefits	158,297	913	159,210	147,424	11,786
Purchased Ed Services - Contracted Pre K	5,000	10,553	15,553	3,056	12,497
Travel	500	330	830		830
Supplies and Materials	2,000	45,637	47,637	797	46,840
Total Support Services	165,797	57,433	223,230	151,277	71,953
Total Expenditures	$ 677,038	$ 118,385	$ 795,423	$ 668,459	$ 126,964

Calculation of Budget Carryover

Total Revised 2010-2011 Preschool Education Aid Allocation	$ 420,360
Add:	
Actual Preschool Education Carryover (June 30, 2010)	118,385
Budgeted Transfer from the General Fund 2010-2011	256,678
Total Preschool Education Aid Funds Available for 2010-2011 Budget	795,423
Less: 2010-2011 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	795,423
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2010	-
Add: June 30, 2011 Unexpended Preschool Education Aid	126,964
2010-2011 Carryover - Preschool Education Aid /Preschool Programs	$ 126,964
2010-2011 Preschool Education Aid Carryover Budgeted in 2011-2012	$ -

CAPITAL PROJECTS FUND

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Amount Authorized	Adjustments	Amended Authorization	Expenditures to Date Prior Years	Expenditures to Date Current Year	Cancelled	Balance June 30, 2011
Port Authority of NY and NJ Projects:							
Aircraft Noise Abatement - Lincoln School	$ 17,449,305	$ 2,618,604	$ 20,067,909	$ 19,698,985	$ (34,762)		$ 403,686
Aircraft Noise Abatement - Kearny High School	44,039,788		44,039,788	2,749,023	164,419		41,126,346
Kearny High School - Facade Project	6,083,708		6,083,708	1,369,422	2,547,027		2,167,259
2006 Referendum -							
Garfield School Façade	3,738,405	(180,358)	3,558,047	3,085,648		$ 472,399	-
Roosevelt School Façade	1,561,487	(19,398)	1,542,089	1,066,226		475,863	-
Schuyler School Façade	3,047,979		3,047,979	2,782,872		265,107	-
Washington School Façade	4,377,780	199,756	4,577,536	4,397,301	53,884	126,351	-
Franklin School Annex and Board of Education Offices	3,044,211		3,044,211	1,113,818	81,462		1,848,931
Alterations to Franklin Elementary School	636,750	(549,250)	87,500	25,160	-	-	62,340
	$ 83,979,413	$ 2,069,354	$ 86,048,767	$ 36,288,455	$ 2,812,030	$ 1,339,720	$ 45,608,562

Unexpended Project Authorizations	$ 45,608,562
Add: Prior Year Unallocated	2,865
Reserve for Payment of Debt Service	1,351,285
Fund Balance (Budgetary Basis)	$ 46,962,712

Analysis of Restricted Fund Balance:

Year-End Encumbrances	$ 41,751,452
Reserve for Debt Service	1,351,285
Reserve for Capital Projects	(38,919,480)
GAAP Basis	4,183,257
Deferred Revenue	42,779,455
Budgetary Basis	$ 46,962,712

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenues and Other Financing Sources	
Federal Sources - FAA Grant	$ 19,825,129
Local Sources - Port Authority of NY/NJ	4,956,282
Premium on Note	51,900
Prior Year Cancelled Payables	11,563
Interest on Investments	34,926
Total Revenues	24,879,800
Expenditures and Other Financing Uses	
Facilities Acquisition and Construction Services	2,578,521
Purchased Professional and Technical Services	232,009
Other Objects	1,500
Total Expenditures	2,812,030
Excess (Deficiency) of Revenue Over (Under) Expenditures	22,067,770
Other Financing Sources (Uses)	
Transfer to General Fund	(86,826)
Total Other Financing Sources (Uses)	(86,826)
Excess (Deficiency) of Revenue Over (Under) Expenditures Other Financing Sources (Uses)	21,980,944
Fund Balance, July 1, 2010	24,981,768
Fund Balance, June 30, 2011	$ 46,962,712
Reconciliation to Governmental Funds Statements (GAAP Basis):	
Fund Balance (Budgetary Basis)	$ 46,962,712
Less:	
Deferred Revenue	42,779,455
Fund Balance Per Governmental Funds (GAAP Basis)	$ 4,183,257

EXHIBIT F-2a

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LINCOLN SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	$ 10,557,105		$ 10,557,105	$ 10,557,105
Local Sources - Port Authority of NY/NJ	2,569,548		2,569,548	2,569,548
State Sources- SCC Grant	6,139,334		6,139,334	6,139,334
Transfer from Capital Outlay	801,922	-	801,922	801,922
Total Revenues	20,067,909	-	20,067,909	20,067,909
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	18,543,529		18,543,529	18,692,909
Purchased Professional and Technical Services	1,155,456	$ (34,762)	1,120,694	1,375,000
Total Expenditures	19,698,985	(34,762)	19,664,223	20,067,909
Excess of Revenue Over Expenditures	$ 368,924	$ 34,762	$ 403,686	$ -

Additional Project Information:	
Project Number	
FAA/Port Authority	EWR 99-04 & 113-07
SDA	2410-090-05-3000
Grant Date	8/9/2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 17,449,305
Additional Authorized Cost	$ 2,618,604
Revised Authorized Cost	$ 20,067,909
Percentage Increase Over Original Authorized Cost	15.01%
Percentage Completion	97.99%
Original Target Completion Date	9/30/2011
Revised Target Completion Date	8/31/2010

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	$ 1,319,896	$ 19,825,129	$ 21,145,025	$ 21,145,025
Local Sources - Port Authority of NY/NJ	329,974	4,956,282	5,286,256	5,286,256
State Sources- SCC Grant	17,608,507	-	17,608,507	17,608,507
Total Revenues	19,258,377	24,781,411	44,039,788	44,039,788
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	39,240	75,436	114,676	41,414,788
Purchased Professional and Technical Services	2,709,783	88,983	2,798,766	2,625,000
Total Expenditures	2,749,023	164,419	2,913,442	44,039,788
Excess of Revenue Over Expenditures	$ 16,509,354	$ 24,616,992	$ 41,126,346	$ -

Additional Project Information:	
Project Number	N/A
FAA/Port Authority	EWR 84-02 & 99-04
SDA	2410-050-04-3000
Grant Date	5/4/2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 44,039,788
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 44,039,788
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	6.62%
Original Target Completion Date	10/31/2013
Revised Target Completion Date	10/31/2013

EXHIBIT F-2c

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - FAÇADE PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources - SCC Grant	$ 2,433,708		$ 2,433,708	$ 2,433,708
Bond Proceeds and Transfers	3,650,000	-	3,650,000	3,650,000
Total Revenues	6,083,708	-	6,083,708	6,083,708
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services		$ 2,422,605	2,422,605	
Purchased Professional and Technical Services	1,369,422	124,422	1,493,844	6,083,708
Total Expenditures	1,369,422	2,547,027	3,916,449	6,083,708
Excess of Revenue Over Expenditures	$ 4,714,286	$ (2,547,027)	$ 2,167,259	$ -

Additional Project Information:	
Project Number	2410-050-05-1400
Grant Date	October 22, 2004
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 6,083,708
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 6,083,708
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	64.38%
Original Target Completion Date	4/30/2012
Revised Target Completion Date	4/30/2012

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
GARFIELD SCHOOL - FAÇADE PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Bond Proceeds	$ 3,558,047	-	$ 3,558,047	$ 3,558,047
Total Revenues	3,558,047	-	3,558,047	3,558,047
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	2,948,435		2,948,435	3,281,177
Purchased Professional and Technical Services	137,213	-	137,213	276,870
Total Expenditures	3,085,648	-	3,085,648	3,558,047
Excess of Revenue Over Expenditures	$ 472,399	$ -	472,399	$ -
		Balance Cancelled	(472,399)	
			$ -	

Additional Project Information:	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	June 2007
Bonds Authorized	June 2007
Bonds Issued	July 2007
Original Authorized Cost	$ 3,738,405
Additional Authorized Cost (Reduction)	$ (180,358)
Revised Authorized Cost	$ 3,558,047
Percentage Increase Over Original Authorized Cost	-4.82%
Percentage Completion	86.72%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	6/30/2010

EXHIBIT F-2e

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOSEVELT SCHOOL - FAÇADE PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Bond Proceeds	$ 1,542,089	-	$ 1,542,089	$ 1,542,089
Total Revenues	1,542,089	-	1,542,089	1,542,089
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	981,700		981,700	1,426,457
Purchased Professional and Technical Services	84,526	-	84,526	115,632
Total Expenditures	1,066,226	-	1,066,226	1,542,089
Excess of Revenue Over Expenditures	$ 475,863	$ -	475,863	$ -
		Balance Cancelled	(475,863)	
			$ -	

Additional Project Information:	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	June 2007
Bonds Authorized	June 2007
Bonds Issued	July 2007
Original Authorized Cost	$ 1,561,487
Additional Authorized Cost (Reduction)	$ (19,398)
Revised Authorized Cost	$ 1,542,089
Percentage Increase Over Original Authorized Cost	-1.24%
Percentage Completion	69.14%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	6/30/2010

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SCHUYLER SCHOOL - FAÇADE PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Bond Proceeds	$ 3,047,979	-	$ 3,047,979	$ 3,047,979
Total Revenues	3,047,979	-	3,047,979	3,047,979
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	2,674,328		2,674,328	2,822,204
Purchased Professional and Technical Services	108,544	-	108,544	225,775
Total Expenditures	2,782,872	-	2,782,872	3,047,979
Excess of Revenue Over Expenditures	$ 265,107	$ -	265,107	$ -
		Balance Cancelled	(265,107)	
			$ -	

Additional Project Information:	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	June 2007
Bonds Authorized	June 2007
Bonds Issued	July 2007
Original Authorized Cost	$ 3,047,979
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 3,047,979
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	91.30%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	6/30/2010

EXHIBIT F-2g

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WASHINGTON SCHOOL - FAÇADE PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Local Sources	$ 651		$ 651	$ 651
Bond Proceeds	4,576,885	-	4,576,885	4,576,885
Total Revenues	4,577,536	-	4,577,536	4,577,536
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	4,218,245	$ 50,920	4,269,165	4,253,311
Purchased Professional and Technical Services	179,056	2,964	182,020	324,225
Total Expenditures	4,397,301	53,884	4,451,185	4,577,536
Excess of Revenue Over Expenditures	$ 180,235	$ (53,884)	126,351	$ -
		Balance Cancelled	(126,351)	
			$ -	

Additional Project Information:	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	June 2007
Bonds Authorized	June 2007
Bonds Issued	July 2007
Original Authorized Cost	$ 4,377,780
Additional Authorized Cost	$ 199,756
Revised Authorized Cost	$ 4,577,536
Percentage Increase Over Original Authorized Cost	4.56%
Percentage Completion	97.24%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	1/31/2011

EXHIBIT F-2h

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN ANNEX AND BOARD OF EDUCATION OFFICES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources- SDA Grant	$ 873,582		$ 873,582	$ 873,582
Transfer from Capital Outlay	2,170,629	-	2,170,629	2,170,629
Total Revenues	3,044,211	-	3,044,211	3,044,211
Expenditures and Other Financing Uses				
Land Acquisition	975,000		975,000	975,000
Facilities Acquisition and Construction Services		$ 29,560	29,560	1,612,200
Purchased Professional and Technical Services	128,430	50,402	178,832	278,000
Other Objects	10,388	1,500	11,888	179,011
Total Expenditures	1,113,818	81,462	1,195,280	3,044,211
Excess of Revenue Over Expenditures	$ 1,930,393	$ (81,462)	$ 1,848,931	$ -

Additional Project Information:	
Project Number	2410-X02-09-1002
Grant Date	July 29, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 3,044,211
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 3,044,211
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	39.26%
Original Target Completion Date	6/30/2011
Revised Target Completion Date	6/30/2011

EXHIBIT F-2i

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources- SDA Grant	$ 47,250		$ 47,250	$ 47,250
Transfer from Capital Outlay	40,250	-	40,250	40,250
Total Revenues	87,500	-	87,500	87,500
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	25,160		25,160	60,000
Supplies and Materials	-	-	-	27,500
Total Expenditures	25,160	-	25,160	87,500
Excess of Revenue Over Expenditures	$ 62,340	$ -	$ 62,340	$ -

Additional Project Information:	
Project Number	2410-079-09-2001
Grant Date	July 31, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 636,750
Additional Authorized Cost	$ (549,250)
Revised Authorized Cost	$ 87,500
Percentage Increase Over Original Authorized Cost	-86.26%
Percentage Completion	28.75%
Original Target Completion Date	9/30/2011
Revised Target Completion Date	9/30/2011

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs of providing goods or services to the students on a continuing basis are financed or recovered through user charges.

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

EXHIBIT G-1

KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET ASSETS
AS OF JUNE 30, 2011

	Agency		
	Student Activity	Payroll	Total
ASSETS			
Cash and Cash Equivalents	$ 227,631	$ 382,626	$ 610,257
Total Assets	$ 227,631	$ 382,626	$ 610,257
LIABILITIES			
Payroll Deductions and Withholdings		$ 381,505	$ 381,505
Due to Other Funds		1,121	1,121
Due to Student Groups	$ 227,631	-	227,631
Total Liabilities	$ 227,631	$ 382,626	$ 610,257

KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

EXHIBIT H-3

KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

School	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance, June 30, 2011
ELEMENTARY SCHOOLS				
Schuyler School	$ 7,653	$ 5,675	$ 5,170	$ 8,158
Schuyler Student Council	2,074	4,101	4,764	1,411
Franklin School	5,007	30,365	30,934	4,438
Franklin Student Council	300	10,111	7,701	2,710
Garfield School	7,341	22,099	23,562	5,878
Lincoln School	1,088	19,716	18,026	2,778
Lincoln Student Council	939	1,569	2,046	462
Roosevelt School	4,096	34,710	32,042	6,764
Washington School	715	2,328	2,263	780
Washington Student Council	528	7,515	6,194	1,849
HIGH SCHOOL	191,976	292,371	291,944	192,403
ATHLETIC ACCOUNTS	-	60,330	60,330	-
Total	$ 221,717	$ 490,890	$ 484,976	$ 227,631

EXHIBIT H-4

PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance, July 1, 2010	Cash Receipts	Cash Disbursements	Balance, June 30, 2011
ASSETS				
Cash	$ 376,921	$ 60,873,679	$ 60,867,974	$ 382,626
Total Assets	$ 376,921	$ 60,873,679	$ 60,867,974	$ 382,626
LIABILITIES				
Due to Other Funds	$ 1,121			$ 1,121
Payroll Deductions and Withholdings	375,800	$ 23,634,485	$ 23,628,780	381,505
Accrued Salaries and Wages	-	36,857,081	36,857,081	-
Total Liabilities	$ 376,921	$ 60,491,566	$ 60,485,861	$ 382,626

LONG-TERM DEBT

EXHIBIT I-1

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance, July 1, 2010	Issued	Retired	Balance, June 30, 2011
School Bonds	2/15/05	$ 3,650,000	7/15/2011	$ 155,000	3.20%				
			7/15/2012	165,000	3.25%				
			7/15/2013	170,000	3.25%				
			7/15/2014	175,000	3.25%				
			7/15/2015	190,000	3.30%				
			7/15/2016	190,000	3.40%				
			7/15/2017	195,000	3.45%				
			7/15/2018	200,000	3.50%				
			7/15/2019	205,000	3.55%				
			7/15/2020	210,000	3.60%				
			7/15/2021	215,000	4.25%				
			7/15/2022-23	220,000	4.25%				
			7/15/2024	225,000	4.25%				
			7/15/2025	230,000	4.25%	$ 3,115,000		$ 150,000	$ 2,965,000
School Bonds	7/15/07	12,725,000	7/15/2011	925,000	4.00%				
			7/15/2012	925,000	4.00%				
			7/15/2013	925,000	4.00%				
			7/15/2014	950,000	4.25%				
			7/15/2015	950,000	4.25%				
			7/15/2016	950,000	4.25%				
			7/15/2017	950,000	4.25%				
			7/15/2018	950,000	4.25%				
			7/15/2019	950,000	4.25%				
			7/15/2020	950,000	4.25%				
			7/15/2021	950,000	4.25%				
			7/15/2022	950,000	4.25%	12,250,000	-	925,000	11,325,000
						$ 15,365,000	$ -	$ 1,075,000	$ 14,290,000

EXHIBIT I-2

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 1,198,201		$ 1,198,201	$ 1,198,201	$ -
Intergovernmental:					
State Aid- Type II Debt Service Aid	482,078	-	482,078	482,078	-
Total Revenues	1,680,279	-	1,680,279	1,680,279	-
EXPENDITURES:					
Regular Debt Service:					
Interest	605,280		605,280	605,280	-
Redemption of Principal	1,075,000	-	1,075,000	1,075,000	-
Total Regular Debt Service	1,680,280	-	1,680,280	1,680,280	-
Total Expenditures	1,680,280	-	1,680,280	1,680,280	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	-	(1)	(1)	-
Fund Balance, Beginning of Year	1	-	1	1	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -

STATISTICAL SECTION

This part of the Kearny Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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

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

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003, only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-1

KEARNY BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	$ 8,175,123	$ 10,489,425	$ 12,108,265	$ 23,163,520	$ 23,432,663	$ 25,875,674	$ 37,617,030	$ 41,531,599	$ 41,472,141
Restricted	410,673	655,382	8,607,802	4,587,267	77,458	1,829,106	3,806,116	1,809,371	4,672,748
Unrestricted	12,384,982	(17,064,648)	(23,920,156)	(19,508,797)	(13,407,427)	(12,834,896)	(11,398,905)	(12,222,825)	(13,157,518)
Total Governmental Activities Net Assets	$ 20,970,778	$ (5,919,841)	$ (3,204,089)	$ 8,241,990	$ 10,102,694	$ 14,869,884	$ 30,024,241	$ 31,118,145	$ 32,987,371
Business-Type Activities									
Invested in Capital Assets	$ 22,231	$ 19,382	$ 16,533	$ 13,683	$ 23,754	$ 60,039	$ 68,646	$ 132,614	$ 138,942
Unrestricted	172,579	157,216	157,790	161,515	132,847	116,789	162,620	199,518	263,540
Total Business-Type Activities Net Assets	$ 194,810	$ 176,598	$ 174,323	$ 175,198	$ 156,601	$ 176,828	$ 231,266	$ 332,132	$ 402,482
District-Wide									
Invested in Capital Assets, Net of Related Debt	$ 8,197,354	$ 10,508,807	$ 12,124,798	$ 23,177,203	$ 23,456,417	$ 25,935,713	$ 37,685,676	$ 41,664,213	$ 41,611,083
Restricted	410,673	655,382	8,607,802	4,587,267	77,458	1,829,106	3,806,116	1,809,371	4,672,748
Unrestricted	12,557,561	(16,907,432)	(23,762,366)	(19,347,282)	(13,274,580)	(12,718,107)	(11,236,285)	(12,023,307)	(12,893,978)
Total District Net Assets	$ 21,165,588	$ (5,743,243)	$ (3,029,766)	$ 8,417,188	$ 10,259,295	$ 15,046,712	$ 30,255,507	$ 31,450,277	$ 33,389,853

KEARNY BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities									
Instruction									
Regular	$ 30,680,762	$ 34,239,876	$ 34,494,296	$ 35,263,689	$ 37,955,177	$ 41,119,163	$ 39,548,344	$ 41,381,868	$ 41,126,178
Special Education	3,432,915	7,163,531	7,246,625	7,765,815	8,434,724	8,811,849	9,015,324	10,695,914	11,313,129
Other Instruction	2,982,528	2,887,839	3,139,283	3,901,183	4,677,640	4,975,092	4,345,429	4,107,288	3,252,330
School Sponsored Activities and Athletics	896,618	975,330	1,021,819	1,166,583	1,449,664	1,590,926	1,215,318	1,300,510	1,281,841
Support Services:									
Tuition	3,190,006								
Student & Instruction Related Services	6,297,952	6,923,473	5,995,455	5,881,165	5,874,828	6,388,365	6,675,551	7,692,297	7,113,169
General Administration	2,969,878	1,428,860	1,983,921	1,908,105	2,043,622	2,185,860	2,258,577	2,271,974	2,423,076
School Administrative Services	2,090,965	3,718,782	3,889,837	4,123,625	4,361,767	4,525,087	4,354,414	4,632,528	6,238,956
Plant Operations and Maintenance	6,220,579	6,849,473	6,801,379	7,509,160	7,474,246	7,815,400	8,796,229	8,804,501	8,712,127
Pupil Transportation	1,213,733	1,171,507	1,125,356	1,143,659	1,113,094	1,286,523	1,361,355	1,404,217	1,315,732
Business/Central Services		911,855	1,104,307	1,335,532	1,270,112	1,086,791	1,204,114	1,195,456	1,208,264
Special Schools	64,621	71,939							
Interest on Long-Term Debt	392,423	174,555	337,586	338,106	415,682	834,689	530,336	560,215	702,608
Total Governmental Activities Expenses	60,432,980	66,517,020	67,139,864	70,336,622	75,070,556	80,619,745	79,304,991	84,046,768	84,687,410
Business-Type Activities:									
Food Service	1,156,876	1,264,319	1,402,503	1,432,540	1,587,850	1,683,837	1,779,829	2,117,868	1,788,415
Total Business-Type Activities Expense	1,156,876	1,264,319	1,402,503	1,432,540	1,587,850	1,683,837	1,779,829	2,117,868	1,788,415
Total District Expenses	$ 61,589,856	$ 67,781,339	$ 68,542,367	$ 71,769,162	$ 76,658,406	$ 82,303,582	$ 81,084,820	$ 86,164,636	$ 86,475,825
Program Revenues									
Governmental Activities:									
Charges for Services:									
Other Instruction/Special Schools	$ 87,172	$ 53,109	$ 57,617	$ 52,324	$ 58,000	$ 58,500	$ 51,000	$ 142,122	$ 60,439
Operating Grants and Contributions	12,781,083	13,434,617	14,462,001	15,140,430	17,209,657	18,696,110	13,634,556	19,210,879	14,474,765
Capital Grants and Contributions	651,754	663,578	1,568,771	9,758,329	111,655	3,837,724	12,131,626	2,558,285	1,227,985
Total Governmental Activities Program Revenues	13,520,009	14,151,304	16,088,389	24,951,083	17,379,312	22,592,334	25,817,182	21,911,286	15,763,189
Business-Type Activities:									
Charges for Services									
Food Service	368,379	388,116	412,698	418,550	414,388	430,157	427,416	416,267	461,515
Operating Grants and Contributions	503,384	531,732	600,590	646,513	689,661	738,971	808,825	1,071,208	1,093,172
Total Business Type Activities Program Revenues	871,763	919,848	1,013,288	1,065,063	1,104,049	1,169,128	1,236,241	1,487,475	1,554,687
Total District Program Revenues	$ 14,391,772	$ 15,071,152	$ 17,101,677	$ 26,016,146	$ 18,483,361	$ 23,761,462	$ 27,053,423	$ 23,398,761	$ 17,317,876
Net (Expense)/Revenue									
Governmental Activities	$ (46,912,971)	$ (52,365,716)	$ (51,051,475)	$ (45,385,539)	$ (57,691,244)	$ (58,027,411)	$(53,487,809)	$ (62,135,482)	$ (68,924,221)
Business-Type Activities	(285,113)	(344,471)	(389,215)	(367,477)	(483,801)	(514,709)	(543,588)	(630,393)	(233,728)
Total District-Wide Net Expense	$ (47,198,084)	$ (52,710,187)	$ (51,440,690)	$ (45,753,016)	$ (58,175,045)	$ (58,542,120)	$(54,031,397)	$ (62,765,875)	$ (69,157,949)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	$ 33,947,374	$ 36,595,699	$ 39,022,191	$ 41,061,685	$ 41,855,063	43,537,336	43,537,336	$ 43,537,336	$ 45,278,829
Property Taxes, Debt Service			336,104	452,950	572,575	481,842	885,380	859,576	1,198,201
Federal and State Aid - Unrestricted	12,246,749	13,433,976	13,966,739	14,314,863	16,118,768	17,259,183	23,011,234	17,788,033	23,666,188
State Aid- Restricted for Debt Service	153,242	147,430	152,545	150,914	144,384	102,727	385,172	398,351	482,078
Premium on Grant Anticipation Note				26,240					
Loss on Disposition of Assets			(25,933)			(52,394)			
Investment Earnings			323,784	200,863	956,334	1,236,473	251,685	18,970	86,534
Miscellaneous Income	529,376	599,363	378,737	992,455	367,396	761,030	1,169,385	1,358,379	385,695
Transfers	(266,971)	(326,259)	(386,940)	(368,352)	(462,572)	(531,596)	(598,026)	(731,259)	(304,078)
Total Governmental Activities	46,609,770	50,450,209	53,767,227	56,831,618	59,551,948	62,794,601	68,642,166	63,229,386	70,793,447
Business-Type Activities:									
Investment Earnings					2,632	3,340			
Transfers	266,971	326,259	386,940	368,352	462,572	531,596	598,026	731,259	304,078
Total Business-Type Activities	266,971	326,259	386,940	368,352	465,204	534,936	598,026	731,259	304,078
Total District-Wide	$ 46,876,741	$ 50,776,468	$ 54,154,167	$ 57,199,970	$ 60,017,152	$ 63,329,537	$ 69,240,192	$ 63,960,645	$ 71,097,525
Change in Net Assets									
Governmental Activities	$ (303,201)	$ (1,915,507)	$ 2,715,752	$ 11,446,079	$ 1,860,704	$ 4,767,190	$ 15,154,357	$ 1,093,904	$ 1,869,226
Business-Type Activities	(18,142)	(18,212)	(2,275)	875	(18,597)	20,227	54,438	100,866	70,350
Total District	$ (321,343)	$ (1,933,719)	$ 2,713,477	$ 11,446,954	$ 1,842,107	$ 4,787,417	$ 15,208,795	$ 1,194,770	$ 1,939,576

EXHIBIT J-3

KEARNY BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	$ 50,345	$ 655,382	$ 1,494,307	$ 3,556,144	$ 5,685,480	$ 7,709,563	$ 12,907,470	$ 7,355,662	
Unreserved	2,145,762	1,150,202	1,245,426	592,800	363,166	420,989	(1,701,304)	(1,404,832)	
Restricted									$ 4,758,608
Committed									541,544
Assigned									2,066,600
Unassigned	-	-	-	-	-	-	-	-	(1,293,550)
Total General Fund	$ 2,196,107	$ 1,805,584	$ 2,739,733	$ 4,148,944	$ 6,048,646	$ 8,130,552	$ 11,206,166	$ 5,950,830	$ 6,073,202
All Other Governmental Funds									
Reserved	$ 922,465	$ 3,000	$ 7,953,441	$ 1,734,341	$ 1,523,610	$ 21,149,173	$ 3,887,907	$ 7,104,783	
Unreserved	(41,068)	(44,357)	594,058	2,792,336	3,488,025	(9,571,255)	1,876,411	(1,349,043)	
Restricted									$ 4,183,257
Total All Other Governmental Funds	$ 881,397	$ (41,357)	$ 8,547,499	$ 4,526,677	$ 5,011,635	$ 11,577,918	$ 5,764,318	$ 5,755,740	$ 4,183,257

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

EXHIBIT J-4

KEARNY BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Property Tax Levy	$33,947,374	$36,595,699	$ 39,358,295	$41,514,635	$ 42,427,638	$ 44,019,178	$44,422,716	$ 44,396,912	$ 46,477,030
Tuition Charges	20,857								
Miscellaneous	665,449	704,289	887,012	1,506,811	1,389,903	2,566,100	2,614,236	1,825,583	555,657
State Sources	23,978,404	25,112,141	27,026,509	35,330,794	31,233,233	34,632,895	38,183,673	29,710,039	35,396,441
Federal Sources	1,784,666	2,515,642	2,996,673	3,772,573	2,343,058	4,752,752	9,844,679	9,939,397	4,431,586
Total Revenues	60,396,750	64,927,771	70,268,489	82,124,813	77,393,832	85,970,925	95,065,304	85,871,931	86,860,714
Expenditures									
Instruction									
Regular Instruction	29,583,101	31,992,554	32,944,780	34,150,379	36,124,138	39,375,784	37,748,212	39,656,866	38,493,481
Special Education Instruction	3,360,980	6,979,001	7,215,945	7,697,661	8,359,278	8,825,704	9,025,809	10,789,990	11,350,615
Other Instruction	3,195,492	2,751,726	3,111,806	3,782,451	4,601,148	4,988,725	4,353,943	4,175,519	3,274,259
School Sponsored Activities and Athletics	882,729	943,350	1,015,789	1,135,397	1,429,278	1,593,687	1,217,039	1,315,147	1,287,414
Support Services:									
Tuition	3,190,006								
Student and Inst. Related Services	6,080,721	6,588,204	5,946,057	5,785,720	5,849,555	6,396,500	6,685,513	7,783,452	7,132,255
General Administration	2,123,633	1,342,924	1,967,347	1,877,613	2,025,015	2,181,746	2,252,698	2,287,525	2,420,433
School Administrative Services	2,897,242	3,568,380	3,854,555	4,056,753	4,382,370	4,538,853	4,363,110	4,709,899	6,278,848
Plant Operations and Maintenance	6,114,591	6,563,383	6,756,382	7,339,283	7,398,782	7,828,585	8,804,436	8,901,577	8,744,355
Pupil Transportation	1,210,564	1,158,966	1,115,450	1,133,443	1,096,909	1,274,945	1,349,605	1,393,794	1,299,289
Business/Central Services		858,646	1,095,078	1,285,594	1,295,365	1,090,452	1,206,489	1,213,368	1,215,647
Special Schools	64,621	68,393							
Capital Outlay	3,547,310	2,519,530	3,614,830	10,546,643	630,523	9,997,926	18,348,184	6,648,971	4,719,037
Debt Service:									
Principal	607,490	921,610	1,433,345	5,260,530	1,116,717	1,023,512	916,376	886,394	1,075,000
Interest and Other Charges	185,725	182,555	287,180	342,845	237,522	399,721	933,850	642,084	716,114
Total Expenditures	63,044,205	66,439,222	70,358,544	84,394,312	74,546,600	89,516,140	97,205,264	90,404,586	88,006,747
Excess (Deficiency) of Revenues over (under) Expenditures	(2,647,455)	(1,511,451)	(90,055)	(2,269,499)	2,847,232	(3,545,215)	(2,139,960)	(4,532,655)	(1,146,033)
Other Financing Sources (Uses)									
Premium on Grant Anticipation Note				26,240					
Capital Leases (Non-Budgeted)		524,433							
Bond/Lease Proceeds			10,000,000			12,725,000			
Transfers In	580,118	66,273	456,130	720,875	1,016,858	387,150	853,881	2,742,349	343,504
Transfers Out	(847,089)	(392,532)	(843,070)	(1,089,227)	(1,479,430)	(918,746)	(1,451,907)	(3,473,608)	(647,582)
Total Other Financing Sources (Uses)	(266,971)	198,174	9,613,060	(342,112)	(462,572)	12,193,404	(598,026)	(731,259)	(304,078)
Net Change in Fund Balances	$ (2,914,426)	$ (1,313,277)	$ 9,523,005	$ (2,611,611)	$ 2,384,660	$ 8,648,189	$ (2,737,986)	$ (5,263,914)	$ (1,450,111)
Debt Service as a Percentage of Noncapital Expenditures	1.33%	1.73%	2.58%	7.59%	1.83%	1.79%	2.35%	1.82%	2.15%

KEARNY BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Interest Earned	Tuition	Rentals	Adult School	Solar Energy Sales	Miscellaneous	Total
2002	$ 314,242	$ 20,381	$ 48,910	$ 79,033		$ 693,254	$ 1,155,820
2003	135,426	20,857	56,165	66,315		407,543	686,306
2004	63,125		48,640	53,109		490,598	655,472
2005	323,784		51,385	52,027		217,892	645,088
2006	579,601		61,882	52,324		350,972	1,044,779
2007	816,398		57,882	58,000		309,514	1,241,794
2008	1,117,966		55,815	58,500		705,215	1,937,496
2009	211,507		49,105	51,000		599,704	911,316
2010	18,479		50,825	67,000	$ 999,800	382,876	1,518,980
2011	51,608		57,616	60,439		264,617	434,280

EXHIBIT J-6

KEARNY BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate [a]
2002	$ 16,956,100	$ 654,825,300	$ 90,874,100	$ 251,657,300	$ 34,697,800	$ 1,049,010,600	$ 3,859,331	$ 1,052,869,931	$ 2,063,641,574	$ 3.132
2003	16,160,300	656,206,900	93,487,300	249,831,400	34,919,100	1,050,605,000	3,685,950	1,054,290,950	2,230,831,464	3.346
2004	16,483,600	658,807,600	97,793,900	248,465,800	35,130,600	1,056,681,500	3,353,324	1,060,034,824	2,433,505,106	3.582
2005	16,379,100	659,958,000	97,218,200	246,934,400	35,229,900	1,055,719,600	3,027,469	1,058,747,069	2,812,599,668	3.819
2006	20,955,100	663,774,200	96,436,600	240,476,500	35,122,800	1,056,765,200	2,493,662	1,059,258,862	3,248,263,913	3.962
2007	16,500,400	666,130,000	104,965,500	241,456,200	34,796,100	1,063,848,200	2,195,701	1,066,043,901	3,793,750,537	4.055
2008	16,229,700	669,910,300	104,347,400	243,826,800	34,666,300	1,068,980,500	2,101,056	1,071,081,556	4,105,333,676	4.128
2009	17,311,100	671,986,000	105,156,300	240,243,000	34,241,500	1,068,937,900	2,176,198	1,071,114,098	4,148,721,067	4.145
2010	18,430,500	672,502,400	105,147,200	233,907,300	34,198,500	1,064,185,900	2,410,654	1,066,596,554	3,956,951,460	4.262
2011	16,903,400	673,346,700	108,500,400	228,065,700	34,027,900	1,060,844,100	3,123,915	1,063,968,015	3,723,345,984	4.323

Source: County Abstract of Ratables

a - Tax rates are per $100

EXHIBIT J-7

KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)

(rate per $100 of assessed value)

Calendar Year	Total Direct School Tax Rate	Overlapping Rates: Municipality	Overlapping Rates: County	Total Direct and Overlapping Tax Rate
2002	$ 3.132	$ 1.655	$ 1.392	$ 6.179
2003	3.346	1.834	1.428	6.608
2004	3.582	2.025	1.423	7.030
2005	3.819	2.103	1.407	7.329
2006	3.962	2.501	1.447	7.910
2007	4.055	2.733	1.488	8.276
2008	4.128	3.156	1.492	8.776
2009	4.145	3.280	1.522	8.947
2010	4.262	3.387	1.522	9.171
2011	4.323	3.514	1.630	9.467

Source: County Abstract of Ratables

KEARNY BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2011 Taxable Assessed Value	2011 % of Total District Net Assessed Value	2002 Taxable Assessed Value	2002 % of Total District Net Assessed Value
RTC Properties, Inc.	$ 50,261,700	4.72%		
PSE&G	17,078,200	1.61%		
AMB Alliance Fund III	13,000,000	1.22%		
Sunset Cahuenga	9,000,000	0.85%		
Russo Development	8,713,700	0.82%		
DVL Holdings	8,675,800	0.82%	Not Available	
Hurricane Associates, LLC	8,000,000	0.75%		
Wal-Mart	7,405,800	0.70%		
Hartz-Mountain Ind.	6,569,200	0.62%		
Kearny Holding VF LLC	6,126,800	0.58%		
Orangewood Prop. LTD	5,633,500	0.53%	-	-
	$ 140,464,700	13.20%	-	-

Source: Municipal Tax Assessor

KEARNY BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

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	
2002	$ 31,999,870	$ 31,999,870	100.00%	N/A
2003	33,947,374	33,947,374	100.00%	N/A
2004	36,595,699	36,595,699	100.00%	N/A
2005	39,358,295	39,358,295	100.00%	N/A
2006	41,514,635	41,514,635	100.00%	N/A
2007	42,427,638	42,427,638	100.00%	N/A
2008	44,019,178	44,019,178	100.00%	N/A
2009	44,422,716	44,422,716	100.00%	N/A
2010	44,396,912	44,396,912	100.00%	N/A
2011	46,477,030	46,477,030	100.00%	N/A

EXHIBIT J-10

KEARNY BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities							
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovern-mental Loans	Bond Anticipation Notes	Total District	Population	Per Capita
2005	$ 4,937,000	$6,292,424	$ 529,820	$ 84,287	$ 4,000,000	$ 15,843,531	38,354	$ 413
2006	4,537,000	1,780,998	201,788	63,215	8,100,000	14,683,001	37,494	392
2007	4,012,000	1,291,677	120,463	42,144	4,600,000	10,066,284	36,818	273
2008	16,322,000	786,971	37,729	21,072	4,000,000	21,167,772	36,607	578
2009	15,985,000	266,395	-	-	3,500,000	19,751,395	36,544	540
2010	15,365,000					15,365,000	36,544	420
2011	14,290,000				10,000,000	24,290,000	40,684	597

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-11

KEARNY BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Inter-governmental Loans	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2005	$ 4,937,000	$ 84,287		$ 5,021,287	0.47%	$ 131
2006	4,537,000	63,215		4,600,215	0.43%	123
2007	4,012,000	42,144		4,054,144	0.38%	110
2008	16,322,000	21,072		16,343,072	1.53%	446
2009	15,985,000	-		15,985,000	1.49%	437
2010	15,365,000	-		15,365,000	1.44%	420
2011	14,290,000	-		14,290,000	1.34%	351

Source: District records

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
(Unaudited)

	Gross Debt	Deductions	Net Debt
Municipal Debt: (1)			
Kearny Board of Education	$ 14,290,000	$ 14,290,000	
Town of Kearny	92,736,279	57,041,142	$ 35,695,137
	$ 107,026,279	$ 71,331,142	35,695,137
Overlapping Debt Apportioned to the Municipality:			
County of Hudson			20,694,349
Passaic Valley Sewerage Commission			10,015,128
North Jersey District Water Supply Commission			5,768,238
Kearny Municipal Utilities Authority			19,238,214
			55,715,929
Total Direct and Overlapping Debt			$ 91,411,066

Source:
Municipal and County Annual Debt Statements

EXHIBIT J-13

KEARNY BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST SEVEN FISCAL YEARS
(Unaudited)

	Fiscal Year Ended June 30,						
	2005	2006	2007	2008	2009	2010	2011
Debt Limit	$ 98,528,177	$ 112,138,572	$129,989,322	$129,989,322	$158,479,662	$ 160,013,566	$ 154,205,149
Total Net Debt Applicable to Limit	5,021,286	4,600,215	16,779,795	16,343,072	15,985,000	15,365,000	14,290,000
Legal Debt Margin	$ 93,506,891	$ 107,538,357	$113,209,527	$113,646,250	$142,494,662	$ 144,648,566	$ 139,915,149
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.10%	4.10%	12.91%	12.57%	10.09%	9.60%	9.27%

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized Valuation Basis	
2010	$ 3,641,977,755
2009	3,875,773,024
2008	4,047,635,365
	$11,565,386,144
Average Equalized Valuation of Taxable Property	$ 3,855,128,715
Debt Limit (4% of Average Equalization Value)	$ 154,205,149
Total Net Debt Applicable to Limit	14,290,000
Legal Debt Margin	$ 139,915,149

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-14

KEARNY BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Year	Population	County Per Capita Personal Income	Unemployment Rate
2002	40,080	$ 30,615	5.90%
2003	39,602	31,162	5.70%
2004	39,115	31,897	5.90%
2005	38,354	33,324	5.20%
2006	37,494	35,503	5.50%
2007	36,818	38,377	5.10%
2008	36,607	41,324	6.80%
2009	36,544	43,925	12.00%
2010	36,544	43,388	12.40%
2011	40,684	N/A	N/A

Source: New Jersey State Department of Education

N/A - Not available

EXHIBIT J-15

KEARNY BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND TEN YEARS AGO
(Unaudited)

	2011		2001	
Employer	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

INFORMATION NOT AVAILABLE

KEARNY BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011
Instruction						
Regular	287	290	306	329	408	398
Special Education	31	31	47	45	31	31
Other Special Education	42	42	42	52	36	36
Vocational	2	2	2	3	4	3
Support Services:						
Student and Instruction Related Services	48	49	49	49	61	60
General Administration	9	11	11	11	14	15
School Administrative Services	38	38	46	38	19	23
Central Services	10	10	10	10	8	9
Administrative Information Technology	1	1	1	4	4	4
Plant Operations and Maintenance	66	67	67	66	72	72
Pupil Transportation	4	4	4	4	9	12
Special Schools	72	72	72	72	40	40
Total	610	617	657	683	705	703

Source: District Personnel Records

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-17

KEARNY BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment [a]	Operating Expenditures [b]	Cost Per Pupil [c]	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2002	5,236	$ 58,838,559	$ 11,237	7.66%	N/A	N/A	N/A	N/A	5,236	4,927	5.78%	94.10%
2003	5,332	62,203,977	11,666	3.82%	N/A	N/A	N/A	N/A	5,332	5,024	1.83%	94.22%
2004	5,393	64,377,609	11,937	2.32%	N/A	N/A	N/A	N/A	5,393	5,102	1.14%	94.60%
2005	5,345	66,791,497	12,496	4.68%	N/A	1:18.0	1:19.2	1:12.0	5,345	5,053	-0.89%	94.54%
2006	5,345	69,157,137	12,939	3.54%	N/A	1:20.3	1:19.7	1:13.7	5,381	5,088	0.67%	94.55%
2007	5,442	73,199,118	13,451	3.96%	N/A	1:22.8	1:17.5	1:10.4	5,452	5,150	1.32%	94.46%
2008	5,580	78,094,981	13,996	4.05%	N/A	1:21.6	1:18.7	1:10.5	5,589	5,260	2.51%	94.11%
2009	5,774	77,006,854	13,337	-4.71%	N/A	01:15.4	01:19.2	01:10.2	5,746	5,490	2.81%	95.54%
2010	5,744	82,227,137	14,315	7.34%	N/A	1:16	1:19	1:11	5,709	5,427	-0.64%	95.06%
2011	5,830	81,496,596	13,979	-2.35%	N/A	1:15	1:18	1:10	5,418	5,154	-5.10%	95.13%

Sources: District records

Note:
a Enrollment based on annual October district count.
b Operating expenditures equal total expenditures less debt service and capital outlay.
c Cost per pupil represents operating expenditures divided by enrollment.

EXHIBIT J-18

KEARNY BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS
(Unaudited)

	2006	2007	2008	2009	2010	2011
District Building						
Elementary						
Franklin						
Square Feet	108,820	108,820	108,820	108,820	108,820	108,820
Capacity (students)	1,099	1,099	1,099	1,099	1,099	1,099
Enrollment	928	953	947	1,012	1,027	1,029
Garfield						
Square Feet	63,095	63,095	63,095	63,095	63,095	63,095
Capacity (students)	578	578	578	578	578	578
Enrollment	520	527	586	594	591	604
Lincoln						
Square Feet	88,510	88,510	88,510	88,510	88,510	88,510
Capacity (students)	794	794	794	794	794	794
Enrollment	723	674	698	748	748	749
Roosevelt						
Square Feet	43,385	43,385	43,385	43,385	43,385	43,385
Capacity (students)	463	463	463	463	463	463
Enrollment	468	472	455	463	463	461
Schuyler						
Square Feet	54,880	54,880	54,880	54,880	54,880	54,880
Capacity (students)	514	514	514	514	514	514
Enrollment	452	458	482	486	484	534
Washington						
Square Feet	86,220	86,220	86,220	86,220	86,220	86,220
Capacity (students)	671	671	671	671	671	671
Enrollment	587	622	650	666	657	659
High School						
Square Feet	163,760	163,760	163,760	163,760	163,760	163,760
Capacity (students)	1,569	1,569	1,569	1,569	1,569	1,569
Enrollment	1,707	1,736	1,762	1,805	1,774	1,794

Number of Schools at June 30, 2011
Elementary = 6
High School = 1

Source: District Records

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only six years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-19

KEARNY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST NINE FISCAL YEARS
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
School Facilities									
Kearny High School	$ 609,917	$ 738,780	$ 630,200	$ 708,107	$ 609,717	$ 737,928	$ 512,894	$ 749,779	$ 694,882
Franklin School	294,372	279,934	331,995	323,532	326,394	310,442	448,429	376,160	348,619
Garfield School	170,616	162,308	192,495	187,201	189,462	180,213	259,983	218,096	202,128
Lincoln School	239,102	227,687	270,030	266,557	264,666	251,716	364,702	306,172	283,756
Roosevelt School	116,547	111,605	132,362	128,192	129,374	123,056	178,767	149,449	138,507
Schuyler School	147,786	141,177	167,445	164,818	164,016	156,006	226,158	189,662	175,776
Washington School	233,095	221,797	263,053	256,385	258,747	246,112	355,279	298,065	276,242
Total School Facilities	$ 1,811,435	$ 1,883,288	$ 1,987,580	$ 2,034,792	$ 1,942,376	$2,005,473	$2,346,212	$ 2,287,383	$ 2,119,910

Source: District Records

Note:
Beginning in fiscal year 2002/03, the New Jersey State Department of Education required Districts to report maintenance expenditures by location, therefore, ten years of data is not required or available.

EXHIBIT J-20

KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2011
(Unaudited)

	Coverage	Deductible
School Package Policy (School Alliance Insurance Fund)		
Property	$ 250,000,000	$ 1,000
Commercial General Liability	5,000,000	5,000
Crime	400,000	5,000
School Board Legal Liability	5,000,000	10,000
Excess Liability	5,000,000	
Workers' Compensation	5,000,000	
Surety Bonds (Selective Insurance)		
Treasurer	400,000	
Board Secretary/Business Administrator	400,000	

Source: District records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

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EXHIBIT K-1

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 Trustees
Kearny Board of Education
Kearny, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated October 4, 2011. We conducted our audit 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 audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Kearny Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Kearny 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 Kearny Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kearny Board of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Kearny Board of Education'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. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kearny 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

We also noted certain matters that we reported to management of the Kearny Board of Education in a separate report entitled, Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 4, 2011.

Kearny Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Kearny Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, 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.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 4, 2011

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

Independent Auditor's Report

Honorable President and Members
of the Board of Trustees
Kearny Board of Education
Kearny, New Jersey

Compliance

We have audited the Kearny Board of Education's compliance 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 OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Kearny Board of Education's major federal and state programs for the fiscal year ended June 30, 2011. Kearny 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 requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Kearny Board of Education's management. Our responsibility is to express an opinion on Kearny 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; audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Kearny 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 Kearny Board of Education's compliance with those requirements.

In our opinion, Kearny Board of Education complied, in all material respects, with the compliance 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, 2011.

Internal Control Over Compliance

Management of Kearny Board of Education 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 Kearny Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the 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 Board's internal control over compliance.

A deficiency in internal control over compliance 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 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 management, the Board of Trustees, others within the District, 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.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 4, 2011

EXHIBIT K-3

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal/Grantor/Pass-Through Gr Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Year Balances	(Account Receivable) June 30, 2011	Deferred Revenue June 30, 2011	Due to Grantor June 30, 2011
U.S. Department of Education Passed-through State Department of Education												
Medicaid Assistance Program	93.778	7/1/10-6/30/11	$ 132,805			$ 87,507	$ 132,805			$ (45,298)		
Medicaid Assistance Program	93.778	7/1/09-6/30/10	145,490	$ (31,412)	-	31,412	-	-	-	-	-	-
Total General Fund				(31,412)	-	118,919	132,805	-	-	(45,298)	-	-
U.S. Department of Education Passed-through State Department of Education												
Food Distribution Program	10.555	7/1/10-6/30/11	91,622			92,339	90,087				$ 2,252	
Food Distribution Program	10.555	7/1/09-6/30/10	95,154	1,535			1,535					
Fresh Fruits and Vegetables	10.582	7/1/10-6/30/11	31,035			31,035	31,035					
Fresh Fruits and Vegetables	10.582	7/1/09-6/30/10	41,875	(2,602)		2,602						
National School Lunch Program	10.555	7/1/10-6/30/11	897,913			836,564	897,913			(61,349)		
National School Lunch Program	10.555	7/1/09-6/30/10	828,038	(74,719)		74,719						
National School Breakfast Program	10.553	7/1/10-6/30/11	50,379			45,265	50,379			(5,114)		
National School Breakfast Program	10.553	7/1/09-6/30/10	43,028	(4,271)	-	4,271	-	-	-	-	-	-
Total U.S. Department of Agriculture - Enterprise Fund				(80,057)	-	1,086,795	1,070,949	-	-	(66,463)	2,252	-
U.S. Department of Education Passed-through State Department of Education												
Title I ARRA	84.389	9/1/09-8/31/11	742,204	(5,814)		261,309	708,257			(456,271)	3,509	
Title I, Part A	84.010A	9/1/10-8/31/11	1,373,268		$ 62,996	405,878	1,045,842			(967,390)	390,422	
Title I, Part A	84.010A	9/1/09-8/31/10	1,254,911	(451,487)	(62,996)	581,719	67,236	$ 129			129	
I.D.E.A Part B, Basic ARRA	84.391	9/1/09-8/31/10	1,443,054	(31,348)		346,438	796,166			(483,631)	2,555	
I.D.E.A Part B, Basic Regular	84.027	9/1/10-8/31/11	1,274,990			668,203	1,242,212	4		(671,220)	97,215	
I.D.E.A Part B, Basic Regular	84.027	9/1/09-8/31/10	1,217,852	(51,812)		56,046	4,257			(23)		
I.D.E.A Part B, Basic Regular	84.027	9/1/08-8/31/09	1,219,999			16,548		235			16,783	
I.D.E.A. Part B, Preschool ARRA	84.392	9/1/09-8/31/10	51,985	(11,225)		13,340	1,120			(2,842)	3,837	
I.D.E.A. Part B, Preschool	84.173	9/1/10-8/31/11	28,865			28,865	29,086			(221)		
I.D.E.A. Part B, Preschool	84.173	9/1/09-8/31/10	26,080	(6,937)		5,313	322			(1,946)		
I.D.E.A. Part B, Preschool	84.173	9/1/08-8/31/09	26,089	(3,713)		3,713				-		
21st Century Grant	84.287C	7/1/08-6/30/09	504,030	3,918							3,918	
Title II, Part A	84.367A	9/1/09-8/31/10	199,180			86,790	192,003			(112,390)	7,177	
Title II, Part A	84.367A	9/1/09-8/31/10	196,018	(110,833)		132,902	17,091				4,978	
Title II, Part D, Technology	84.318X	9/1/10-8/31/11	3,260				3,260			(3,260)		
Title II, Part D, Technology	84.318X	9/1/09-8/31/10	12,753	(1,700)		6,855	5,155			-		
Title III	84.365A	9/1/10-8/31/11	78,868			7,490	21,578			(69,378)	55,290	
Title III	84.365A	9/1/09-8/31/10	70,407	(14,684)		37,117	19,206				3,227	
Title III	84.365A	9/1/08-8/31/09	82,177	(67)		67				-		
Title IV	84.186A	9/1/09-8/31/10	22,901	(13,594)		17,988	4,424			(30)		
Title IV	84.186A	9/1/08-8/31/09	24,766	2							2	
Carl D. Perkins- Voc. Education	84.048A	7/1/10-6/30/11	60,981			48,009	60,981			(12,972)		
Carl D. Perkins- Voc. Education	84.048A	7/1/09-6/30/10	56,877	(3,826)	-	3,826	-	-	-	-	-	-
Total U.S. Department of Education - Special Revenue Fund				(703,120)	-	2,728,416	4,218,196	368	-	(2,781,574)	589,042	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

EXHIBIT K-3

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal/Grantor/Pass-Through Gr Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Year Balances	(Account Receivable) June 30, 2011	Deferred Revenue	Due to Grantor
U.S. Department of Transportation												
Airport Improvement Program	20.106											
Aircraft Noise Abatement - Lincoln School		Not Available	$ 9,520,000	$ (1,142,666)		$ 1,142,666						
Aircraft Noise Abatement - K.H.S.		Not Available	21,145,025	(300,586)	-	-	$ 78,923	-	-	$ (20,125,715)	$ 19,746,206	-
Total Capital Projects Fund				(1,443,252)	-	1,142,666	78,923	-	-	(20,125,715)	19,746,206	-
Total Federal Awards				$ (2,257,841)	$ -	$ 5,076,796	$ 5,500,873	$ 368	$ -	$ (23,019,050)	$ 20,337,500	$ -

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2010 Deferred Revenue/ (Accts Rec.)	Balance, July 1, 2010 Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	(Accounts Receivable)	June 30, 2011 Deferred Revenue/ Interfund Payable	June 30, 2011 Due to Grantor	MEMO GAAP Receivable	MEMO Cumulative Total Expenditures
State Department of Education															
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	$ 270,323	$ (29,958)			$ 29,958								
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	3,265,582				2,949,864	$ 3,265,582			$ (315,718)				3,265,582
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	3,187,552	(353,261)			353,261				-				
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	23,429,575				21,164,391	23,429,575			(2,265,184)				23,429,575
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	17,881,452	(2,501,797)			2,501,797								
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	814,436	(90,260)			90,260								
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	438,555	(438,555)			438,555								
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	343,798					343,798			(343,798)				343,798
TPAF Social Security Aid	10-495-034-5095-002	7/1/09-6/30/10	2,776,109	(560,069)			560,069				-				
TPAF Social Security Aid	11-495-034-5095-002	7/1/10-6/30/11	2,826,934				2,255,192	2,826,934			(571,742)			$ (571,742)	2,826,934
On Behalf TPAF NCGI Premium	11-495-034-5095-007	7/1/10-6/30/11	110,329				110,329	110,329							110,329
On Behalf TPAF Post Retirement Medical Benefit Contribution	11-495-034-5095-001	7/1/10-6/30/11	2,343,396	-	-	-	2,343,396	2,343,396	-	-	-	-	-	-	2,343,396
Total General Fund				(3,973,900)	-	-	32,797,072	32,319,614	-	-	(3,496,442)	-	-	(571,742)	32,319,614
Early Childhood Program Aid	07-495-034-5120-025	7/1/06-6/30/07	2,511,213	1,669,838								$ 1,669,838			
Preschool Education Aid	10-495-034-5120-086	7/1/09-6/30/10	420,360	76,349			42,036	118,385							118,385
Preschool Education Aid	11-495-034-5120-086	7/1/10-6/30/11	420,360				378,324	550,074	$ 256,678		(42,036)	126,964			550,074
New Jersey Nonpublic Aid															
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	21,429				21,429	21,429							21,429
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	27,667		$ 1					$ 1					
Auxiliary Services															
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	175,491				175,491	117,469					$ 58,022		117,469
Compensatory Education	10-100-034-5120-067	7/1/09-6/30/10	128,600		10,461					10,461			-		
Transportation	11-100-034-5120-068	7/1/10-6/30/11													
ESL	11-100-034-5120-067	7/1/10-6/30/11	28,603				28,603	25,188					3,415		25,188
ESL	10-100-034-5120-067	7/1/09-6/30/10	25,543												
Home Instruction	10-100-034-5120-067	7/1/09-6/30/10	4,869	(4,869)			4,870		(1)						
Handicapped Services															
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	188,062				188,062	59,685					128,377		59,685
Examination and Classification	10-100-034-5120-066	7/1/09-6/30/10	304,702		240,286					240,286			-		
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	16,429				16,429	15,959					470		15,959
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	23,135		2,063					2,063			-		
Supplementary	11-100-034-5120-066	7/1/10-6/30/11	25,014				25,014	20,706					4,308		20,706
Supplementary	10-100-034-5120-066	7/1/09-6/30/10	21,663		160					160			-		
Nursing	10-100-034-5120-070	7/1/09-6/30/10	32,810		78					78			-		
Nursing	11-100-034-5120-070	7/1/10-6/30/11	25,391				25,391	25,391							25,391
Department of Human Services															
School Based Youth Services	not available	7/1/06-6/30/07	309,502	(2,538)							(2,538)			(2,538)	
School Based Youth Services	SB08020	7/1/10-6/30/11	277,587				277,587	277,539				48		-	277,539
School Based Youth Services	SB08020	7/1/09-6/30/10	277,587	27,839	-	-	-	-	-	-	-	27,839	-	-	-
Total Special Revenue Fund				1,766,619	253,049	-	1,183,236	1,231,825	256,677	253,049	(44,574)	1,824,689	194,592	(2,538)	1,231,825

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Continued

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2010 Deferred Revenue/ (Accts Rec.)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	June 30, 2011 (Accounts Receivable)	June 30, 2011 Deferred Revenue/ Interfund Payable	Due to Grantor	MEMO GAAP Receivable	MEMO Cumulative Total Expenditures
New Jersey Economic Development Authority															
Facilities Grant Program															
KHS - Façade	2410-050-05-1400	N/A	$ 2,433,708	$ (292,251)				$ 1,018,811			$ (2,178,178)	$ 867,116		$ (2,178,178)	$ 1,018,811
Lincoln Aircraft Noise Abatement	2410-090-05-3000	N/A	6,139,334	(1,197,190)			$ 1,197,160		$ 30					-	
KHS Aircraft Noise Abatement	2410-050-04-3000	N/A	17,608,507	(1,011,110)				65,769			(17,520,464)	16,443,585	-	(17,520,464)	65,769
Franklin School and BOE Offices	2410-X02-09-1002	N/A	873,582	(76,262)				44,753			(873,582)	752,567		(873,582)	44,753
Franklin School Alterations	2410-070-09-2001	N/A	47,250	(13,822)	-	-	-	-	-	-	(47,250)	33,428	-	(47,250)	-
Total Capital Projects Fund				(2,590,635)	-	-	1,197,160	1,129,333	30	-	(20,619,474)	18,096,696	-	(20,619,474)	1,129,333
Debt Service Aid	11-495-034-5120-017	7/1/10-6/30/11	482,078	-	-	-	482,078	482,078	-	-	-	-	-	-	482,078
Total Debt Service Fund				-	-	-	482,078	482,078	-	-	-	-	-	-	482,078
State Department of Agriculture															
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	22,223				20,577	22,223			(1,646)			(1,646)	22,223
State School Lunch Program	10-100-010-3360-067	7/1/09-6/30/10	35,319	(3,124)			3,124							-	
State School Breakfast Program	10-100-010-3350-021	7/1/09-6/30/10	2,799	(279)	-	-	279	-	-	-	-	-	-	-	-
Total Enterprise Fund				(3,403)	-	-	23,980	22,223	-	-	(1,646)	-	-	(1,646)	22,223
Total State Awards				$ (4,801,319)	$ 253,049	$ -	$ 35,683,526	35,185,073	$ 256,707	$ 253,049	$ (24,162,136)	$ 19,921,385	$ 194,592	$ (21,195,400)	
Less: State Aid Not Subject to Single Audit:															
On-Behalf TPAF Pension Aid								(110,329)							
On-Behalf TPAF Post-Retirement Medical								(2,343,396)							
Total State Financial Assistance Subject to Single Audit								$ 32,731,348							

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Continued

KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Kearny Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC 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 a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments 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, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis are increases of $489,131 for the general fund and $2,801 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	Federal	State	Total
General Fund	$ 132,805	$ 32,808,745	$ 32,941,550
Special Revenue Fund	4,219,858	976,286	5,196,144
Capital Projects Fund	78,923	1,129,332	1,208,255
Debt Service Fund		482,078	482,078
Food Service Fund	1,070,949	22,223	1,093,172
Total Financial Assistance	$ 5,502,535	$ 35,418,664	$ 40,921,199

KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of $2,826,934 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF NCGI Premiums in the amount of $110,329 and TPAF Post-Retirement Medical Benefits Contributions in the amount of $2,343,396 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued:	Unqualified	
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?	X yes	____ none reported
Noncompliance material to the basic financial statements noted?	____ yes	X no

Federal Awards Section

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
Type of auditors' report on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA Basic
84.391	IDEA Basic ARRA
84.173	IDEA Preschool
84.392	IDEA Preschool ARRA
84.010	Title I
84.389	Title I ARRA
10.555	National School Lunch Program
10.553	National School Breakfast Program

Dollar threshold used to determine between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____ yes	X no

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor's Results

State Awards Section

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? ___X___ yes _____ none reported

Type of auditors' report on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? ___X___ yes _____ none

Identification of major programs:

State Grant/Project Number(s)	Name of State Program
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Aid

Dollar threshold used to determine Type A programs: $ 981,940

Auditee qualified as low-risk auditee? _____ yes ___X___ no

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2011-1:

Our audit of the capital asset records revealed the following:

- During the current school year, the District hired an independent appraisal company to value the Board's capital assets. The report provided by the company included the values of machinery and equipment. Land, land improvements, buildings and building improvements were not reported.

- With regards to machinery and equipment, there were unrecorded capital assets of $671,703.

Criteria or specific requirement:

Generally accepted accounting principles; internal control over financial reporting of capital assets.

Condition:

The District's appraisal report included only machinery and equipment.

Context:

Capital asset records are not complete with respect to valuation of District assets and depreciation on those assets.

Effect:

Internal control deficiencies exist with respect to the reporting of capital assets.

Cause:

Unknown.

Recommendation:

Capital asset records include the value of land, land improvements, buildings and building improvements, construction in progress and any related depreciation. Furthermore, the District review its capital asset reports to ensure that all acquired assets are reported.

Management's Response:

Management will prepare a detailed response as part of its Corrective Action Plan to be submitted to the Board of Education.

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

There are none.

EXHIBIT K-7

KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2010-1:

Our audit noted the following:

- A capital projects contract for $1,612,200 was awarded by the Board in June 2010 but was not encumbered in the District's June 30, 2011 financial reports.
- There was an unrecorded purchase order for $39,219 in the Special Revenue Fund for services provided to non-public students.

Current Status

Corrective action has been taken.

Finding 2010-2:

Our audit of the capital asset records revealed the following:

- Depreciation was not calculated for building improvements placed into service during 2007 through 2010.
- Completed Building Improvements funded by the Capital Projects Fund were not transferred from Construction in Progress to Building Improvements for purposes of depreciation.
- District records are not in agreement with the prior year audited balances.

Current Status

See Finding 2011-1.

KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2010-3:

Our audit of the District's General Fund revenue and/or receivables revealed the following:

- The following revenues/receivables were not recorded in the 2009/10 Revenue Report and year end financial statements:
  - Solar Energy Sales ($546,675)
  - Semi Medicaid Reimbursement ($31,412)
  - Non-Public Transportation Fees ($13,495)
  - Reimbursement from Food Service Enterprise Fund ($60,000)
  - New Jersey Extraordinary Aid ($438,555)

- Executive Order No. 14 signed by the Governor on February 11, 2010 authorized withholding of state aid due to the state fiscal crisis. The District's share of the reduction was $3,873,306. At year end, this amount was reported as an accounts receivable from the State of New Jersey.

Current Status

Corrective action has been taken.

Finding 2010-4: (State Awards)

Our audit of the District's General Fund revenue and/or receivables revealed the following:

- The following revenues/receivables were not recorded in the 2009/10 Revenue Report and year end financial statements:
  - Solar Energy Sales ($546,675)
  - Semi Medicaid Reimbursement ($31,412)
  - Non-Public Transportation Fees ($13,495)
  - Reimbursement from Food Service Enterprise Fund ($60,000)
  - New Jersey - Extraordinary Aid ($438,555)

- Executive Order No. 14 signed by the Governor on February 11, 2010 authorized withholding of state aid due to the state fiscal crisis. The District's share of the reduction was $3,873,306. At year end, this amount was reported as an accounts receivable from the State of New Jersey.

Current Status

Corrective action has been taken.

KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2010-5:

Our audit noted that the salaries of various Directors are charged exclusively to a direct classroom instruction account (11-140-100-100).

Current Status

Corrective action has been taken.