

KEARNY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Kearny, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Kearny Board of Education

Kearny, New Jersey

For The Fiscal Year Ended June 30, 2013

Prepared by

Business Office

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INTRODUCTORY SECTION

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JAMES DORAN, JR.
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MICHAEL DE VITA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

October 17, 2013

*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, 2013, 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 financial 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 2012-2013 fiscal year with an enrollment of 5,879 students, which is 169 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the past ten years:

| <u>Fiscal Year</u> | <u>School Enrollment</u> | <u>Percent Change Increase (Decrease)</u> |
|--------------------|--------------------------|---|
| 2012-13 | 5,879 | (2.79%) |
| 2011-12 | 6,048 | 3.74% |
| 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% |

- (2) ECONOMIC CONDITION AND OUTLOOK:

The Taxpayers' Guide to Education Spending for K-12 districts was released by the New Jersey Department of Education (DOE) in July of 2013. It was revealed that the Kearny School District's budgeted comparative spending for the 2012/13 school year was \$12,204 per pupil. Out of the 105 school districts with more than 3,500 students, Kearny ranked 14th (low cost to high cost) in budgeted 2012/13 per pupil spending. The budgeted New Jersey State average for 2012/2013 was \$14,506.

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 2012/13 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:

○ DISTRICT WIDE

- *All teachers received at least ten hours training in LoTi, the new teacher evaluation system.*
- *The continued implementation of additional modules of GENESIS, the district's Student Data Management system, provided teachers in K through 12 the ability to keep online grade books, complete online attendance, and utilize online grade reporting for all students. Continued training in the various aspects of the Genesis system is on-going, and building facilitators will continue to assist in the transition to the new modules introduced for use in the district.*
- *The Parent Portal module was piloted during the spring 2013 by district employees with children enrolled in district schools. This pilot will continue in the 2013-2014 school year, with plans to open some aspects of the Parent Portal to all district parents by mid-year.*
- *The district continued its curriculum rewriting and revision in conjunction with the Hudson County Curriculum Consortium. All district curricula is now easily accessible to all administrators and teachers on the district's website.*
- *The continuation of Professional Learning Communities was used more fully in the development of school improvement initiatives and provided teachers the opportunity to collaborate within their subjects areas and across grade levels. In addition, PLC's provided the opportunity for both horizontal and vertical articulation among all district teachers.*
- *Educational technology workshops continued to provide teachers in all grade levels technology training for District Technology resources such as Smart Boards, projectors, document cameras, educational software, mobile laptop labs, etc.*

○ ELEMENTARY

- *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 in order to support what occurs in the Early Childhood classroom.*
- *All Pre-K teachers implemented the GOLD Portfolio Assessment System. All Kindergarten teachers were introduced to the GOLD Portfolio Assessment System.*

- *Self-contained Special Education teachers received modeled in-class professional development demonstrating effective classroom management techniques for students diagnosed with autism or ADD/ADHD.*
- *All Early Childhood aides continued to receive training on appropriate staff/child interactions. They also received training on effective cooperative learning strategies and behavior management.*
- *All Special Education aides continued to receive training on appropriate staff/child interactions and the development of strategies to manage behavior effectively in order to increase on-task instructional time.*
- *Quarterly benchmark assessments were designed and implemented in all kindergarten classrooms. In preparation for the PARCC Assessment, various benchmarking tools were examined, and the district chose to purchase Edmentum's Plato Courseware's Benchmarks in English Language Arts, Mathematics, Social Studies and Science to implement in the 2013-2014 school year for grades 2-12.*
- *The district purchased and implemented Achieve 3000, an online reading program used to identify student reading levels and improve reading comprehension skills, for use in grades 3 through 8.*
- *The district implemented a new mathematics program, Go Math! in grades K-5 that is aligned to the Common Core Mathematics Standards.*
- *The district piloted two prospective programs for Science in grades 2-5. Houghton Mifflin Harcourt was selected and will be implemented in the 2013-2014 school year.*
- *The district revised its scheduling in the elementary to include an uninterrupted Language Arts block (minimum 90 minutes) in grades K-5.*
- *The district began an initiative to level all classroom libraries in grades K-5 using the Fountas & Pinnell and Lexile systems.*
- *The district examined several benchmarking systems to assess student reading levels and literacy skills and purchased the Fountas & Pinnell benchmarking system which will be implemented in grades K-5 in the 2013-2014 school year.*
- *Report cards were revised in grades K-5 to reflect the Common Core Standards and the increased rigor of instruction. Skill indicators were also incorporated for Special Subjects, resulting in greater accountability for students and teachers. The district also developed a standard grading policy and revised progress reports for grades K-5 that will be implemented in the 2013-2014 school year.*
- *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.*

- *A fifty percent increase in the students enrolled in the district's 8th grade Algebra I program resulted in increased proficiency in NJASK 8 scores in mathematics.*
- *Science teachers in grades 6, 7, 8 collaborated to identify a new science textbook adoption to be implemented in the 2013-2014 school year.*
- *Washington School piloted an A/B Schedule in order to provide a more comprehensive academic instructional model and integrate 21st Century College and Career Readiness programs throughout the instructional program. The pilot was successful and Franklin School will change to this schedule for the 2013-2014 school year.*
- *The district revised its scheduling to provide all students in grades 6 instruction in both computer technology and areas of the visual and performing arts.*
- *Plans were developed to offer World Language instruction in grades K-3, and increased instructional time in World Language has been accomplished in grades 6, 7, and 8, in three of the four schools housing these grade levels.*

- HIGH SCHOOL

- *Benchmark assessments were developed and administered in all subject areas in the high school. Data was used to inform instruction and identify areas of strengths and weakness for individual student learning plans.*
- *The high school used Performance Plus to warehouse student data, particularly in the area of English Language Arts. This provides administrators and teachers the ability to examine the performance of individual students as well as disaggregated groups of students to inform instruction and improve student achievement.*
- *A textbook adoption for high school Mathematics Department Algebra I and Algebra II students provided resources that align to the Common Core State Standards.*
- *The science department added AP Physics C to its course offerings and new textbooks were purchased for all Chemistry students to align with the curriculum and NJCCCS in Science and the CCSS for ELA in Science and Technical Subjects.*
- *New course offerings in Principles of Psychology, AP Physics C, SAT Prep, Algebra I ET, and Fashion Design, were designated in order to provide additional academic electives and increase student achievement in the areas of Mathematics and English Language Arts.*
- *The high school ESL Program implemented the revised curriculum and a textbook adoption that was piloted in 2011-2012 was implemented in the 2012-2013 school year.*

- ATHLETICS

The district has no pending projects.

- DISTRICT

- Wireless Project for District Laptops

- *The district has begun the installation and implementation of an enterprise wireless network. Policies and guidelines will be modified soon to include the use of mobile devices and a BYOD initiative. This will continue the process of BYOD for the district.*

- 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. The continued build-out of our data services will include a secondary data center located in Lincoln School. Backup generators are expected to be installed in both locations.*

- Infrastructure Upgrades

- *The district continues to build out the LAN infrastructure upgrade in all buildings. This includes a fiber backbone in the buildings with new runs to all classrooms and offices. New data backup procedures are being developed and implemented using the 10 GB WAN fiber already installed in the district.*

- On-Line & Subscription Services Initiative

- *The district will continue the use of on-line lesson plans with on-line class pages for each teacher. We are continuing to use the online Lesson Plan provider to the Genesis product and each teacher will still have a web presence through the eChalk Class pages module.*
- *The district will continue with the Genesis Student Information System which provides a comprehensive set of educational tools as well as web access to all teachers.*
- *The use of streaming video is continued through the Discovery Education Streaming product provided grade appropriate educational videos to all classrooms. Additional online services includes Performance Tracker, FitnessGram, Edmentum, Think Central, Go Math!, Pearson SuccessNet Math, Achieve 3000, Naviance, Follette Library Services, Plato and Rosetta Stone. More services will be added as required.*

- Preparation for PARCC Testing
 - Classrooms are being optimized as hybrid classrooms and test centers to allow the incorporation of test centers in each school building. Selected classrooms will receive new tables and will be wired for electrical and network services for use during the PARCC testing times. When not used as test centers, the classrooms will function as regular classroom spaces.
- New Professional Development Lab
 - The district is actively investigating the shared use of a space in the local Public Library that can be used as a Professional Development Lab to train teachers.
- Kearny High School Noise Abatement & Renovation 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 has begun and has an estimated completion date of September 2016.
- Kearny High School Façade Project
 - The exterior façade project 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 is scheduled to be complete by the end of next school year.

(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, 2013.

- (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, 2013, the District's outstanding debt included \$12,120,000 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". 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

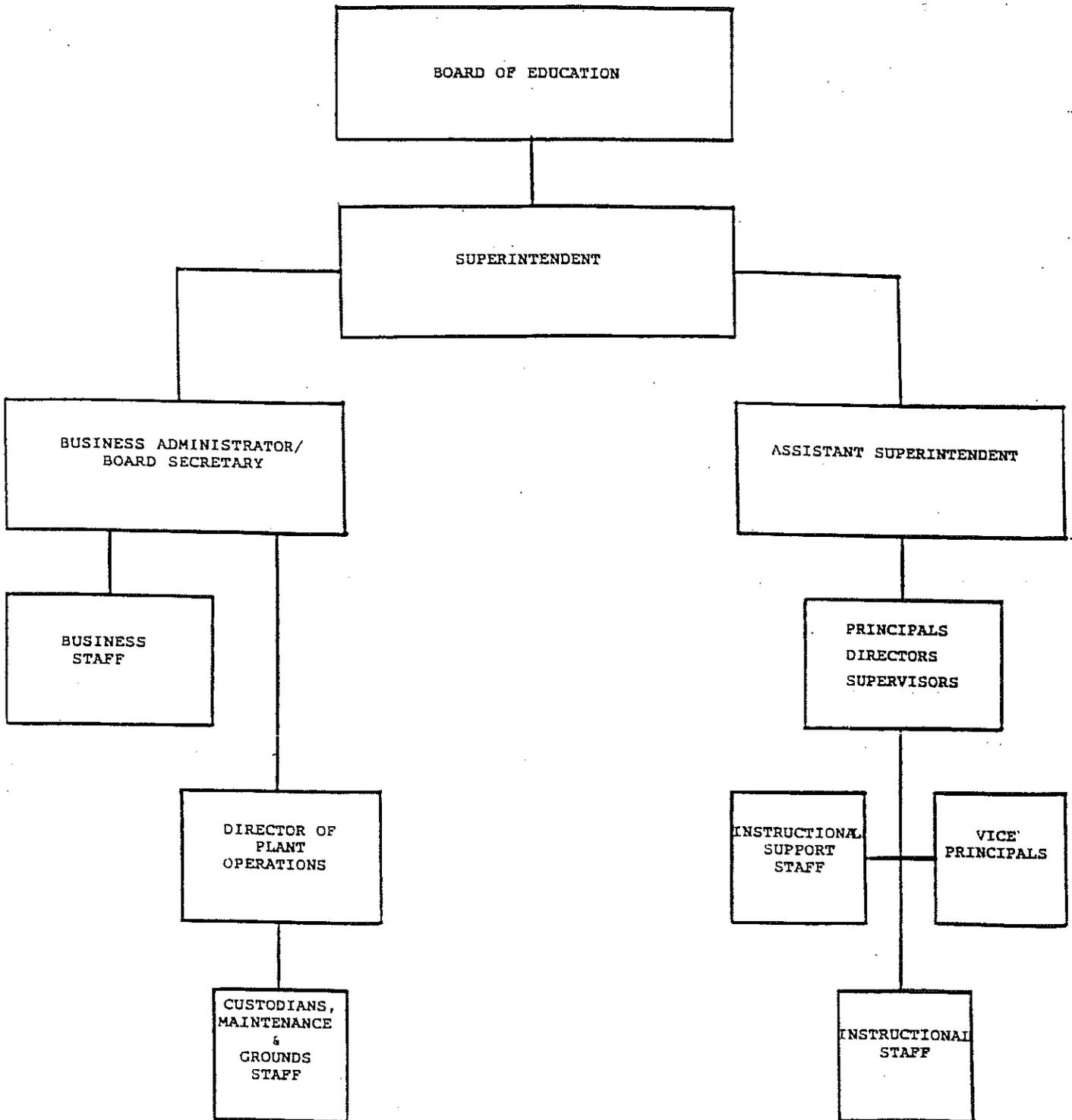
Business Administrator/Board Secretary



Frank Ferraro

Superintendent of Schools

KEARNY BOARD OF EDUCATION
ORGANIZATIONAL CHART



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2013

| <u>MEMBERS OF THE BOARD OF EDUCATION</u> | <u>TERM EXPIRES</u> |
|--|---------------------|
| James Doran, Jr. | 2015 |
| Daniel Esteves | 2013 |
| George King | 2013 |
| John Leadbeater | 2014 |
| Cecilia Lindenfesler | 2015 |
| Bernadette McDonald | 2013 |
| Robert O'Malley | 2013 |
| John A. Plaugic, Jr. | 2014 |
| Sebastian J. Viscuso | 2014 |

ADMINISTRATION

Frank Ferraro, Superintendent of Schools

Michael DeVita, Business Administrator/Board Secretary

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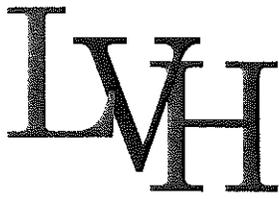
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REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

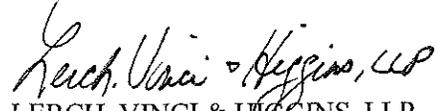
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearny Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Kearny Board of Education.

The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, schedules of expenditures of federal awards and state financial assistance are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Kearny Board of Education's internal control over financial reporting and compliance.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

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, 2013. 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.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments. Certain comparative information between the current year (2012-2013) and prior year (2011-2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal year include the following:

- The assets of the Kearny School District exceeded its liabilities at the close of the fiscal year by \$48,616,846.
- Overall revenues were \$99,691,676 which were \$9,236,639 greater than expenses. General revenues accounted for \$73,579,088 or 74% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$26,112,588 or 26% of total revenues.
- The School District had \$88,367,549 in expenses for governmental activities; only \$24,385,165 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$73,579,088 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 \$11,163,794. The unassigned general fund balance is a deficit of \$1,684,780.
- The General Fund unassigned budgetary basis fund balance was \$1,500,963 at June 2013, a decrease of \$216,605 when compared with the beginning balance at July 1, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's 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.

KEARNY BOARD OF EDUCATION

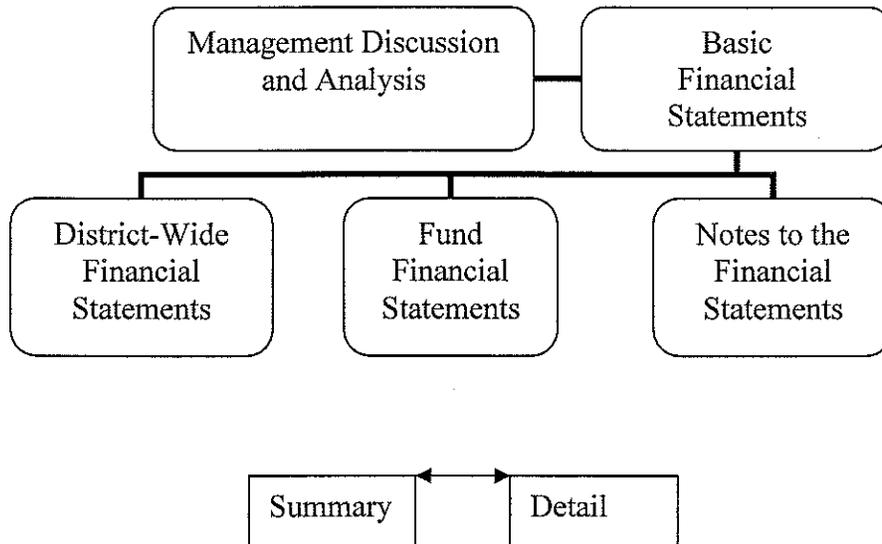
Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

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, 2013

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 Position Statement of Activities | Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances | Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows | Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position |
| 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, deferred outflows, liabilities and deferred inflows, 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 thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows, liabilities, and deferred inflows of resources, 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, 2013

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 position 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 position and how they have changed. Net position – 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 position 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).

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

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 position and a statement of changes in fiduciary net position. 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, 2013

Net Position. The District's combined net position, as summarized below, was \$48,616,846 and \$39,380,207 on June 30, 2013 and 2012, respectively.

Statement of Net Position as of June 30, 2013 and 2012

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and Other Assets | \$ 52,042,735 | \$ 60,217,983 | \$ 420,108 | \$ 329,467 | \$ 52,462,843 | \$ 60,547,450 |
| Capital Assets | 63,641,465 | 58,538,113 | 110,288 | 124,308 | 63,751,753 | 58,662,421 |
| Total Assets | <u>115,684,200</u> | <u>118,756,096</u> | <u>530,396</u> | <u>453,775</u> | <u>116,214,596</u> | <u>119,209,871</u> |
| Long-Term Liabilities | 26,389,889 | 29,215,209 | | | 26,389,889 | 29,215,209 |
| Other Liabilities | 41,108,134 | 50,539,810 | 99,727 | 74,645 | 41,207,861 | 50,614,455 |
| Total Liabilities | <u>67,498,023</u> | <u>79,755,019</u> | <u>99,727</u> | <u>74,645</u> | <u>67,597,750</u> | <u>79,829,664</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 51,589,542 | 45,417,929 | 110,288 | 124,308 | 51,699,830 | 45,542,237 |
| Restricted | 5,735,972 | 5,732,390 | | | 5,735,972 | 5,732,390 |
| Unrestricted | (9,139,337) | (12,149,242) | 320,381 | 254,822 | (8,818,956) | (11,894,420) |
| Total Net Position | <u>\$ 48,186,177</u> | <u>\$ 39,001,077</u> | <u>\$ 430,669</u> | <u>\$ 379,130</u> | <u>\$ 48,616,846</u> | <u>\$ 39,380,207</u> |

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

Below is a summary of the changes in net position for fiscal years ended June 30, 2013 and 2012.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 65,134 | \$ 65,897 | \$ 468,029 | \$ 494,235 | \$ 533,163 | \$ 560,132 |
| Operating Grants and Contributions | 16,080,166 | 15,540,976 | 1,259,394 | 1,215,030 | 17,339,560 | 16,756,006 |
| Capital Grants and Contributions | 8,239,865 | 5,925,681 | | | 8,239,865 | 5,925,681 |
| General Revenues | | | | | | |
| Property Taxes | 46,335,280 | 45,527,731 | | | 46,335,280 | 45,527,731 |
| Federal and State Aid | 26,461,833 | 25,340,274 | | | 26,461,833 | 25,340,274 |
| Other | 781,975 | 1,182,604 | - | - | 781,975 | 1,182,604 |
| Total Revenues | <u>97,964,253</u> | <u>93,583,163</u> | <u>1,727,423</u> | <u>1,709,265</u> | <u>99,691,676</u> | <u>95,292,428</u> |
| Expenses | | | | | | |
| Instruction | | | | | | |
| Regular | 43,266,636 | 42,713,090 | | | 43,266,636 | 42,713,090 |
| Special Education | 11,478,294 | 10,843,661 | | | 11,478,294 | 10,843,661 |
| Other Instruction | 2,845,253 | 3,294,184 | | | 2,845,253 | 3,294,184 |
| School Sponsored Activities and Athletics | 1,261,789 | 1,250,104 | | | 1,261,789 | 1,250,104 |
| Support Services | | | | | | |
| Student and Instruction Related Services | 7,926,025 | 7,780,424 | | | 7,926,025 | 7,780,424 |
| General Administration and Business Services | 4,096,459 | 4,410,603 | | | 4,096,459 | 4,410,603 |
| School Administration Services | 6,376,930 | 6,316,539 | | | 6,376,930 | 6,316,539 |
| Plant Operation and Maintenance | 9,007,440 | 8,569,081 | | | 9,007,440 | 8,569,081 |
| Pupil Transportation | 1,480,516 | 1,373,763 | | | 1,480,516 | 1,373,763 |
| Interest and Other Charges on Long-Term Debt | 628,207 | 704,128 | | | 628,207 | 704,128 |
| Loss on Disposal of Capital Assets | | 6,825 | | | - | - |
| Food Service | - | - | 2,087,488 | 2,039,672 | 2,087,488 | 2,039,672 |
| Total Expenses | <u>88,367,549</u> | <u>87,262,402</u> | <u>2,087,488</u> | <u>2,039,672</u> | <u>90,455,037</u> | <u>89,302,074</u> |
| Increase (Decrease) in Net Position before | | | | | | |
| Transfers | 9,596,704 | 6,320,761 | (360,065) | (330,407) | 9,236,639 | 5,990,354 |
| Transfers | (411,604) | (307,055) | 411,604 | 307,055 | - | - |
| Change in Net Position | 9,185,100 | 6,013,706 | 51,539 | (23,352) | 9,236,639 | 5,990,354 |
| Net Position, Beginning of Year | <u>39,001,077</u> | <u>32,987,371</u> | <u>379,130</u> | <u>402,482</u> | <u>39,380,207</u> | <u>33,389,853</u> |
| Net Position, End of Year | <u>\$ 48,186,177</u> | <u>\$ 39,001,077</u> | <u>\$ 430,669</u> | <u>\$ 379,130</u> | <u>\$ 48,616,846</u> | <u>\$ 39,380,207</u> |

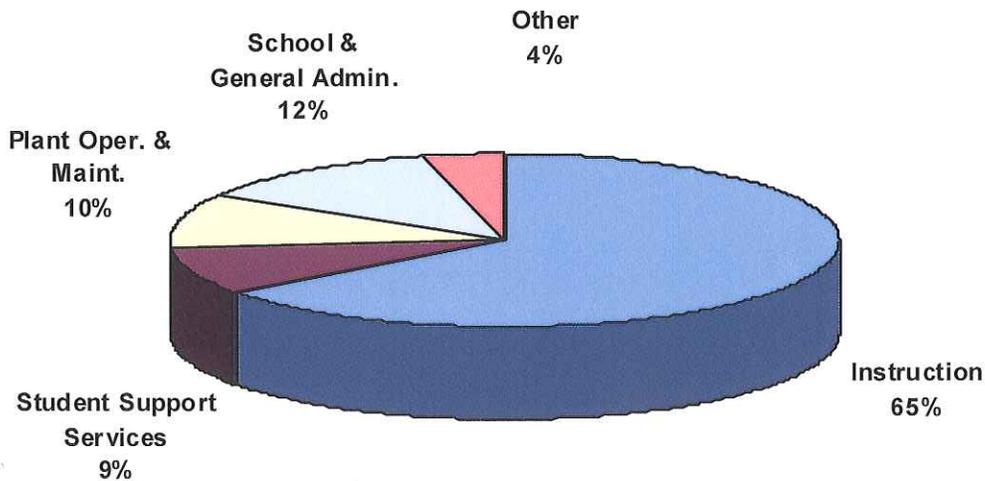
KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

Changes in net position. The District's total revenues were \$99,691,676. Property taxes of \$46,335,280 represented 46% of revenues. Approximately 52% was received from state and federal sources, the balance of 2% came from investment earnings, fees for adult education and other miscellaneous items.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was \$90,455,037. Total revenues exceeded expenses, increasing net position by \$9,236,639 from the beginning balance at July 1, 2012. The increase was primarily due to the increase in general fund state aid and the completion of certain capital projects.



Total and Net Cost of Governmental Activities. The District's total cost of services was \$88,367,549 for the fiscal year ended June 30, 2013. After applying program revenues, derived from charges for services of \$65,134; operating grants and contributions of \$16,080,166; and capital grants and contributions of \$8,239,865, the net cost of services of the District is \$63,982,384. The following is a comparative analysis of the net cost of governmental activities for the fiscal years ended June 30, 2013 and 2012.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|--|-----------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Governmental Activities | | | | |
| Instruction | | | | |
| Regular | \$ 43,266,636 | \$ 42,713,090 | \$ 36,679,570 | \$ 36,637,037 |
| Special Education | 11,478,294 | 10,843,661 | 5,565,298 | 5,289,422 |
| Other Instruction | 2,845,253 | 3,294,184 | 2,351,120 | 2,821,832 |
| School Sponsored Activities and Athletics | 1,261,789 | 1,250,104 | 1,144,547 | 1,159,546 |
| Support Services | | | | |
| Student and Instruction Related Services | 7,926,025 | 7,780,424 | 6,251,931 | 6,274,305 |
| General Administration and Business Services | 4,096,459 | 4,410,603 | 3,748,271 | 4,144,783 |
| School Administration Services | 6,376,930 | 6,316,539 | 5,691,337 | 5,763,654 |
| Plant Operation and Maintenance | 9,007,440 | 8,569,081 | 489,278 | 1,593,420 |
| Pupil Transportation | 1,480,516 | 1,373,763 | 1,432,825 | 1,334,896 |
| Interest and Other Charges on Debt | 628,207 | 704,128 | 628,207 | 704,128 |
| Total Governmental Activities | <u>\$ 88,367,549</u> | <u>\$ 87,255,577</u> | <u>\$ 63,982,384</u> | <u>\$ 65,723,023</u> |

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2013 was \$2,087,488. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidy to offset the cost of district employees working in the Food Service Program.

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 \$11,163,794. The fund balance at June 30, 2012 was \$9,926,782.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

GENERAL FUND

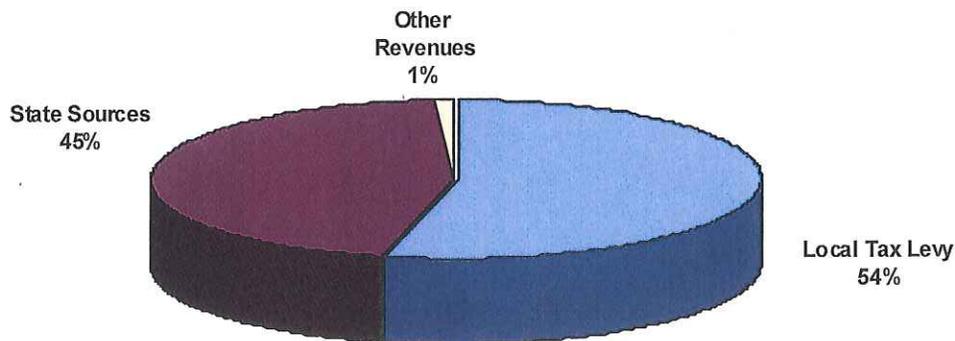
The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 12 including pupil transportation, student activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues for the fiscal years ended June 30, 2013 and 2012.

| | Fiscal Year Ended <u>June 30, 2013</u> | Fiscal Year Ended <u>June 30, 2012</u> | Amount of Increase (Decrease) | <u>Percent</u> |
|-----------------------|--|--|-------------------------------------|----------------|
| Revenues | | | | |
| Local Sources: | | | | |
| Property Tax Levy | \$ 45,595,029 | \$ 45,278,829 | \$ 316,200 | 0.7% |
| Miscellaneous | 838,109 | 1,188,139 | (350,030) | -29.5% |
| State Sources | 38,395,985 | 34,762,209 | 3,633,776 | 10.5% |
| Federal Sources | <u>74,700</u> | <u>1,234,783</u> | <u>(1,160,083)</u> | -94.0% |
| Total Revenues | <u>\$ 84,903,823</u> | <u>\$ 82,463,960</u> | <u>\$ 2,439,863</u> | 3.0% |

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 receiving greater revenues for solar energy credits during the 2012/2013 school year. Revenue from federal sources decreased due to the one time revenue in 2012-2013 from the American Recovery and Reinvestment Act (ARRA) for the Education Jobs Fund Program.

2012/2013 Revenues by Source



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2013 and 2012.

| | Fiscal Year Ended June 30, 2013 | Fiscal Year Ended June 30, 2012 | Amount of Increase (Decrease) | Percent |
|---------------------------|---------------------------------------|---------------------------------------|-------------------------------------|---------|
| Expenditures | | | | |
| Instruction | \$ 53,536,881 | \$ 51,515,973 | \$ 2,020,908 | 3.9% |
| Support Services | 28,401,233 | 27,832,458 | 568,775 | 2.0% |
| Capital Outlay | 258,631 | 475,101 | (216,470) | -45.6% |
| Debt Service | 126,384 | 87,486 | 38,898 | 44.5% |
| Total Expenditures | <u>\$ 82,323,129</u> | <u>\$ 79,911,018</u> | <u>\$ 2,412,111</u> | 3.0% |

Total General Fund expenditures increased \$2,412,111 or 3.0% from the previous year. This increase can be attributed to increases in contractual salaries.

In 2012-2013 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,694,166. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2013 was a deficit of \$1,684,780.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into the following categories

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of June 30, 2012 reserve for encumbrances.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$3,614,396, for the fiscal year ended June 30, 2013. State sources in the amount of \$745,045 accounted for 21% of the total revenue and federal sources in the amount of \$2,866,511 accounted for 79% of the total revenue in the special revenue fund.

Total Special Revenue Fund revenues decreased \$800,364 or 18% from the previous year. State sources decreased \$275,993, while Federal sources decreased by \$518,398.

Expenditures of the Special Revenue Fund were \$4,102,922. Instructional expenditures were \$3,107,288 or 76%, expenditures for support services were \$972,556 or 23%, and expenditures for capital outlay were \$23,078 for the fiscal year ended June 30, 2013.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Project Fund current year expenditures exceeded revenues and other financing uses by \$457,154. The current year-end fund balance is \$1,550,311. The amount of revenue earned from the SDA for qualified Education Facilities Construction and Financing Act construction projects was \$3,314,813. In addition, the District realized \$3,929,159 from the FAA and \$982,290 from the Port Authority for funding related to the Kearny High School noise abatement/expansion projects.

The amount of debt service expenditures for 2012/2013 was \$1,611,239 in principal and interest, with \$740,251 funded from the local tax levy, \$456,918 from state aid and \$414,070 utilized from the Capital Projects Funds Reserve for Debt Service.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

Capital Assets. At the end of the fiscal year 2013, the school district had invested in land, buildings, furniture, machinery and equipment as stated below:

| | <u>Governmental</u> <u>Activities</u> | | <u>Business- Type</u> <u>Activities</u> | |
|------------------------------------|--|--------------------------|--|-----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Land | \$ 245,000 | \$ 245,000 | | |
| Land Improvements | 123,555 | 123,555 | | |
| Construction in Progress | 23,546,851 | 15,277,504 | | |
| Buildings and Improvements | 71,932,089 | 71,932,089 | | |
| Machinery and Equipment | <u>2,244,882</u> | <u>1,954,173</u> | \$ 308,854 | \$ 308,854 |
| Total | 98,092,377 | 89,532,321 | 308,854 | 308,854 |
| Less: Accumulated Depreciation | <u>(34,450,912)</u> | <u>(30,994,208)</u> | <u>(198,566)</u> | <u>(184,546)</u> |
| Total | <u>\$ 63,641,465</u> | <u>\$ 58,538,113</u> | <u>\$ 110,288</u> | <u>\$ 124,308</u> |

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

Debt Administration. As of June 30, 2013 the school district had long-term debt and outstanding long-term liabilities in the amount of \$26,389,889, as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------------------|--------------------------|--------------------------|
| Serial Bonds Payable | \$ 12,120,000 | \$ 13,210,000 |
| Compensated Absences Payable | <u>14,269,889</u> | <u>16,005,209</u> |
| Total | <u>\$ 26,389,889</u> | <u>\$ 29,215,209</u> |

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2013

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 POSITION
AS OF JUNE 30, 2013**

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 10,546,582 | \$ 574,177 | \$ 11,120,759 |
| Receivables, net | | | |
| Receivables from Other Governments | 41,255,828 | 74,319 | 41,330,147 |
| Inventory | | 11,937 | 11,937 |
| Internal Balances | 240,325 | (240,325) | |
| Capital Assets, Not Being Depreciated | 23,791,851 | | 23,791,851 |
| Capital Assets, Being Depreciated, Net | 39,849,614 | 110,288 | 39,959,902 |
| | <u>115,684,200</u> | <u>530,396</u> | <u>116,214,596</u> |
| LIABILITIES | | | |
| Accounts Payable | 2,620,911 | 98,843 | 2,719,754 |
| Payable to State Government | 300,791 | | 300,791 |
| Unearned Revenue | 30,457,239 | 884 | 30,458,123 |
| Accrued Interest Payable | 229,193 | | 229,193 |
| Grant Note Payable | 7,500,000 | | 7,500,000 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 2,784,968 | | 2,784,968 |
| Due Beyond One Year | 23,604,921 | - | 23,604,921 |
| | <u>67,498,023</u> | <u>99,727</u> | <u>67,597,750</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 51,589,542 | 110,288 | 51,699,830 |
| Restricted for: | | | |
| Capital Projects | 5,735,972 | | 5,735,972 |
| Unrestricted | (9,139,337) | 320,381 | (8,818,956) |
| | <u>\$ 48,186,177</u> | <u>\$ 430,669</u> | <u>\$ 48,616,846</u> |

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

KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Functions/Programs: | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | | | | | | | |
| Regular | \$ 43,266,636 | | \$ 6,587,066 | | \$ (36,679,570) | | \$ (36,679,570) |
| Special Education | 11,478,294 | | 5,912,996 | | (5,565,298) | | (5,565,298) |
| Other Instruction | 2,845,253 | \$ 65,134 | 428,999 | | (2,351,120) | | (2,351,120) |
| School Sponsored Activities and Athletics | 1,261,789 | | 117,242 | | (1,144,547) | | (1,144,547) |
| Support Services | | | | | | | |
| Student and Instruction Related Svcs. | 7,926,025 | | 1,674,094 | | (6,251,931) | | (6,251,931) |
| General Administrative Services | 2,439,406 | | 240,223 | | (2,199,183) | | (2,199,183) |
| School Administrative Services | 6,376,930 | | 685,593 | | (5,691,337) | | (5,691,337) |
| Plant Operations and Maintenance | 9,007,440 | | 278,297 | \$ 8,239,865 | (489,278) | | (489,278) |
| Pupil Transportation | 1,480,516 | | 47,691 | | (1,432,825) | | (1,432,825) |
| Business and Other Support Services | 1,657,053 | | 107,965 | | (1,549,088) | | (1,549,088) |
| Interest on Long-Term Debt | 628,207 | - | - | - | (628,207) | | (628,207) |
| Total Governmental Activities | 88,367,549 | 65,134 | 16,080,166 | 8,239,865 | (63,982,384) | - | (63,982,384) |
| Business-Type Activities | | | | | | | |
| Food Service | 2,087,488 | 468,029 | 1,259,394 | - | - | \$ (360,065) | (360,065) |
| Total Business-Type Activities | 2,087,488 | 468,029 | 1,259,394 | - | - | (360,065) | (360,065) |
| Total Primary Government | \$ 90,455,037 | \$ 533,163 | \$ 17,339,560 | \$ 8,239,865 | (63,982,384) | (360,065) | (64,342,449) |
| General Revenues: | | | | | | | |
| Property Taxes, General | | | | | 45,595,029 | | 45,595,029 |
| Property Taxes, Debt Service | | | | | 740,251 | | 740,251 |
| Federal and State Aid - Unrestricted | | | | | 26,004,915 | | 26,004,915 |
| State Aid- Restricted for Debt Service | | | | | 456,918 | | 456,918 |
| Investment Income | | | | | 26,671 | | 26,671 |
| Miscellaneous Income | | | | | 746,304 | | 746,304 |
| Donations of Capital Assets | | | | | 9,000 | | 9,000 |
| Transfers | | | | | (411,604) | 411,604 | - |
| Total General Revenues and Transfers | | | | | 73,167,484 | 411,604 | 73,579,088 |
| Change in Net Position | | | | | 9,185,100 | 51,539 | 9,236,639 |
| Net Position, Beginning of Year | | | | | 39,001,077 | 379,130 | 39,380,207 |
| Net Position, End of Year | | | | | \$ 48,186,177 | \$ 430,669 | \$ 48,616,846 |

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

FUND FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 7,815,422 | \$ 1,580,302 | \$ 1,150,858 | | \$ 10,546,582 |
| Due from Other Funds | 1,499,609 | | | | 1,499,609 |
| Receivables, Net | | | | | |
| Receivables From Other Governments | <u>606,347</u> | <u>942,561</u> | <u>39,706,920</u> | <u>-</u> | <u>41,255,828</u> |
| Total Assets | <u>\$ 9,921,378</u> | <u>\$ 2,522,863</u> | <u>\$ 40,857,778</u> | <u>\$ -</u> | <u>\$ 53,302,019</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 307,895 | \$ 392,344 | \$ 1,920,672 | | \$ 2,620,911 |
| Due to Other Funds | | | 1,259,284 | | 1,259,284 |
| Payable to State Government | | 300,791 | | | 300,791 |
| Grant Note Payable | | | 7,500,000 | | 7,500,000 |
| Unearned Revenue | <u>-</u> | <u>1,829,728</u> | <u>28,627,511</u> | <u>-</u> | <u>30,457,239</u> |
| Total Liabilities | <u>307,895</u> | <u>2,522,863</u> | <u>39,307,467</u> | <u>-</u> | <u>42,138,225</u> |
| Fund Balances | | | | | |
| Restricted | | | | | |
| Capital Reserve | 5,735,972 | | | | 5,735,972 |
| Adult Education Program | 60,189 | | | | 60,189 |
| Excess Surplus | 1,552,384 | | | | 1,552,384 |
| Excess Surplus Designated for Subsequent Year's Budget | 1,342,509 | | | | 1,342,509 |
| Capital Projects | | | 1,538,096 | | 1,538,096 |
| Debt Service | | | 12,215 | | 12,215 |
| Committed | | | | | |
| Encumbrances | 180,361 | | | | 180,361 |
| Assigned | | | | | |
| Designated for Subsequent Year's Budget | 1,878,602 | | | | 1,878,602 |
| Encumbrances | 548,246 | | | | 548,246 |
| Unassigned | | | | | |
| General Fund | <u>(1,684,780)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,684,780)</u> |
| Total Fund Balances | <u>9,613,483</u> | <u>-</u> | <u>1,550,311</u> | <u>-</u> | <u>11,163,794</u> |
| Total Liabilities and Fund Balances | <u>\$ 9,921,378</u> | <u>\$ 2,522,863</u> | <u>\$ 40,857,778</u> | <u>\$ -</u> | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$98,092,377 and the accumulated depreciation is \$34,450,912 | 63,641,465 |
| The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is | (229,193) |
| 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 | \$ 12,120,000 |
| Compensated Absences | <u>14,269,889</u> |
| | <u>(26,389,889)</u> |
| Net Position of Governmental Activities | <u>\$ 48,186,177</u> |

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, 2013

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax Levy | \$ 45,595,029 | | | \$ 740,251 | \$ 46,335,280 |
| Miscellaneous | 838,109 | \$ 2,840 | \$ 995,893 | - | 1,836,842 |
| Total - Local Sources | 46,433,138 | 2,840 | 995,893 | 740,251 | 48,172,122 |
| State Sources | 38,395,985 | 745,045 | 3,314,813 | 456,918 | 42,912,761 |
| Federal Sources | 74,700 | 2,866,511 | 3,929,159 | - | 6,870,370 |
| Total Revenues | 84,903,823 | 3,614,396 | 8,239,865 | 1,197,169 | 97,955,253 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Regular Instruction | 38,976,970 | 1,835,922 | | | 40,812,892 |
| Special Education Instruction | 10,407,419 | 1,227,050 | | | 11,634,469 |
| Other Instruction | 2,869,885 | 44,316 | | | 2,914,201 |
| School Sponsored Activities and Athletics | 1,282,607 | | | | 1,282,607 |
| Support Services | | | | | |
| Student and Instruction Related Services | 7,088,234 | 972,556 | | | 8,060,790 |
| General Administrative Services | 2,465,123 | | | | 2,465,123 |
| School Administrative Services | 6,532,163 | | | | 6,532,163 |
| Plant Operations and Maintenance | 9,151,095 | | | | 9,151,095 |
| Pupil Transportation | 1,471,338 | | | | 1,471,338 |
| Business and Central Services | 1,693,280 | | | | 1,693,280 |
| Debt Service | | | | | |
| Principal | | | | 1,090,000 | 1,090,000 |
| Interest and Other Charges | 126,384 | | | 521,239 | 647,623 |
| Capital Outlay | 258,631 | 23,078 | 8,269,347 | - | 8,551,056 |
| Total Expenditures | 82,323,129 | 4,102,922 | 8,269,347 | 1,611,239 | 96,306,637 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,580,694 | (488,526) | (29,482) | (414,070) | 1,648,616 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 13,602 | 488,526 | | 414,070 | 916,198 |
| Transfers Out | (900,130) | - | (427,672) | - | (1,327,802) |
| Total Other Financing Sources and Uses | (886,528) | 488,526 | (427,672) | 414,070 | (411,604) |
| Net Change in Fund Balances | 1,694,166 | - | (457,154) | - | 1,237,012 |
| Fund Balance, Beginning of Year | 7,919,317 | - | 2,007,465 | - | 9,926,782 |
| Fund Balance, End of Year | \$ 9,613,483 | \$ - | \$ 1,550,311 | \$ - | \$ 11,163,794 |

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

**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, 2013**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ 1,237,012**

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 | \$ 8,551,056 | |
| Depreciation Expense | <u>(3,456,704)</u> | |
| | | 5,094,352 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, donations) is to decrease net position. These transactions are not reported in the governmental funds financial statements.

| | | |
|-----------------------------|--|-------|
| Donations of Capital Assets | | 9,000 |
|-----------------------------|--|-------|

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 | | 1,735,320 |
|--|--|-----------|

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

| | | |
|---------------------|--|-----------|
| Bond Principal Paid | | 1,090,000 |
|---------------------|--|-----------|

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 | | <u>19,416</u> |
|------------------------------|--|---------------|

| | | |
|--|--|----------------------------|
| Change in Net Position of Governmental Activities (Exhibit A-2) | | <u>\$ 9,185,100</u> |
|--|--|----------------------------|

**KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

| | Business-Type Activities Enterprise Fund <u>Food Service</u> |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 574,177 |
| Intergovernmental Accounts Receivable | 74,319 |
| Inventories | <u>11,937</u> |
| Total Current Assets | <u>660,433</u> |
| Capital Assets | |
| Furniture, Machinery and Equipment | 308,854 |
| Less Accumulated Depreciation | <u>(198,566)</u> |
| Total Capital Assets | <u>110,288</u> |
| Total Assets | <u>770,721</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 98,843 |
| Due to Other Funds | <u>240,325</u> |
| Total Current Liabilities | <u>339,168</u> |
| Total Liabilities | <u>339,168</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Commodities Revenue | <u>884</u> |
| Total Deferred Inflows of Resources | <u>884</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>340,052</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 110,288 |
| Unrestricted | <u>320,381</u> |
| Total Net Position | <u>\$ 430,669</u> |

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Business-Type Activities Enterprise Fund <u>Food Service</u> |
|---------------------------------------|---|
| OPERATING REVENUES | |
| Charges for Services | |
| Daily Sales | \$ 464,503 |
| Special Functions | 3,526 |
| | 468,029 |
| Total Operating Revenues | 468,029 |
| OPERATING EXPENSES | |
| Cost of Sales | 781,024 |
| Salaries and Wages | 861,951 |
| Employee Benefits | 106,553 |
| Management Fee | 71,940 |
| Other Expenses | 192,675 |
| Supplies and Materials | 59,324 |
| Depreciation | 14,021 |
| | 2,087,488 |
| Total Operating Expenses | 2,087,488 |
| Operating Income (Loss) | (1,619,459) |
| NONOPERATING REVENUES | |
| State Sources | |
| State School Lunch Program | 26,561 |
| Federal Sources | |
| National School Lunch Program | 1,162,851 |
| National School Breakfast Program | 69,133 |
| Fresh Fruits and Vegetables Program | 849 |
| | 1,259,394 |
| Total Nonoperating Revenues | 1,259,394 |
| Operating (Loss) Before Transfers | (360,065) |
| Transfers In | 411,604 |
| Change in Net Position | 51,539 |
| Total Net Position, Beginning of Year | 379,130 |
| Total Net Position, End of Year | \$ 430,669 |

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

**KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Business-Type Activities Enterprise Fund <u>Food Service</u> |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Customers | \$ 468,029 |
| Cash Payments for Employees Salaries and Benefits | (968,504) |
| Cash Payments to Suppliers | <u>(996,992)</u> |
| Net Cash Provided by (Used by) Operating Activities | <u>(1,497,467)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Cash Received from General Fund | 411,604 |
| Cash Received from State and Federal Sources | <u>1,144,810</u> |
| Net Cash Provided By Non-Capital Financing Activities | <u>1,556,414</u> |
| Net Increase in Cash and Cash Equivalents | 58,947 |
| Cash and Cash Equivalents, Beginning of Year | <u>515,230</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 574,177</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities: | |
| Operating Income (Loss) | \$ <u>(1,619,459)</u> |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used by) Operating Activities | |
| Depreciation | 14,021 |
| Non Cash Federal Assistance-Food Distribution Program | 120,760 |
| (Increase) Decrease in Other Accounts Receivable | |
| (Increase) Decrease in Inventories | (8,196) |
| Increase (Decrease) in Deferred Commodities Revenue | 818 |
| Increase (Decrease) in Interfund Payable | (29,675) |
| Increase (Decrease) in Accounts Payable | <u>24,264</u> |
| Total Adjustments | <u>121,992</u> |
| Net Cash Provided By (Used by) Operating Activities | <u>\$ (1,497,467)</u> |
| Non-Cash Financing Activities: | |
| Fair Value Received - Food Distribution Program | \$ 121,578 |

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 POSITION
AS OF JUNE 30, 2013**

| | <u>Scholarship Trust Funds</u> | <u>Unemployment Compensation Trust Fund</u> | <u>Agency Fund</u> |
|---|------------------------------------|---|------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 277,791 | \$ 896,241 | \$ 860,344 |
| Due from Other Funds | <u>-</u> | <u>1,121</u> | <u>-</u> |
| Total Assets | <u>277,791</u> | <u>897,362</u> | <u>\$ 860,344</u> |
| LIABILITIES | | | |
| Intergovernmental Payable | | 26,482 | |
| Accounts Payable | | 506 | |
| Due to Other Funds | | | \$ 1,121 |
| Due To Student Groups | | | 318,601 |
| Payroll Deductions and Withholdings | <u>-</u> | <u>-</u> | <u>540,622</u> |
| Total Liabilities | <u>-</u> | <u>26,988</u> | <u>\$ 860,344</u> |
| NET POSITION | | | |
| Held In Trust For Unemployment Claims and Other Purposes | <u>\$ 277,791</u> | <u>\$ 870,374</u> | |

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 POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Scholarship Trust Funds</u> | <u>Unemployment Compensation Trust Fund</u> |
|---------------------------------------|------------------------------------|---|
| ADDITIONS | | |
| Interest Earnings | \$ 1,018 | \$ 1,681 |
| Scholarship Bequests | 80,000 | |
| Employee Contributions | <u>-</u> | <u>123,651</u> |
| Total Additions | <u>81,018</u> | <u>125,332</u> |
| DEDUCTIONS | | |
| Scholarships Awarded | 4,050 | |
| Administrative Expenses | | 6,066 |
| Unemployment Claims and Contributions | <u>-</u> | <u>128,136</u> |
| Total Deductions | <u>4,050</u> | <u>134,202</u> |
| Change in Net Position | 76,968 | (8,870) |
| Net Position, Beginning of Year | <u>200,823</u> | <u>879,244</u> |
| Net Position, End of Year | <u>\$ 277,791</u> | <u>\$ 870,374</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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. New Accounting Standards

During the 2012/13 fiscal year, the District adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.
- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. 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 position, 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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

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.

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.

Fund Financial Statements

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

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, state and local 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 capital facilities and other capital assets, other than those financed by the proprietary funds.

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.

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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the government 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.

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".

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, unrestricted state 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. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents 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.

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

2. Receivables

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

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 and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. 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.

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and/or their use is limited by state or county regulations for capital projects for capital projects.

5. 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.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Land Improvements | 20 |
| Buildings | 40 |
| Building Improvements | 10-20 |
| Machinery and Equipment | 5-20 |
| Computer Equipment | 5 |

6. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. U.S.D.A commodities is reported only in the enterprise funds balance sheet for unused commodity inventory at year end. This amount is deferred and recognized as an inflow of resources in the period that the amount become available.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. *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 do not permit the accrual of accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. *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 position.

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

Governmental Fund Statements (Continued)

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.

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

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.

Reserved Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that was appropriated in the 2013/2014 original budget certified for taxes.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that is required to be appropriated in the 2014/2015 original budget certified for taxes.

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

Debt Service – Represents fund balance restricted 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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. Net Position/Fund Balance

Governmental Fund Statements (Continued)

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

Designated for Subsequent Year's Budget– This designation was created to dedicate the portion of fund balance appropriated in the adopted 2013/2014 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 restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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.

2. Property Taxes

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 inflows of resources. 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. Tuition Revenues and Expenditures

Tuition Expenditures - Tuition charges for the fiscal years 2011-2012 and 2012-2013 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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses*

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.

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.

Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 17, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

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 2012/2013. During 2012/2013 the Board increased the original budget by \$1,261,535. The increase was funded by the reappropriation of prior year general fund encumbrances and additional state, federal and local grants allotted to the Board.

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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 \$1,684,780 in the General Fund 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 2012/2013 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 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 \$1,684,780 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.

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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2013 is as follows:

| | |
|------------------------|---------------------|
| Balance, July 1, 2012 | \$ 5,732,390 |
| Increased by: | |
| Interest Earnings | <u>3,582</u> |
| Balance, June 30, 2013 | <u>\$ 5,735,972</u> |

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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, 2013 is \$2,894,893. Of this amount, \$1,342,509 was designated and appropriated in the 2013/2014 original budget certified for taxes and the remaining amount of \$1,552,384 will be appropriated in the 2014/2015 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash 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 the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013, the book value of the Board's deposits were \$13,155,135 and bank and brokerage firm balances of the Board's deposits amounted to \$14,980,576. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

| | |
|---------|----------------------|
| Insured | <u>\$ 14,980,576</u> |
|---------|----------------------|

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

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. As of June 30, 2013 the Board’s bank balances were not 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, 2013, 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, 2013 for the district’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Food Service</u> | <u>Total</u> |
|---------------------------------------|-------------------|----------------------------|-----------------------------|-------------------------|----------------------|
| Receivables: | | | | | |
| Intergovernmental | \$ 606,347 | \$ 942,561 | \$ 39,706,920 | \$ 74,319 | \$ 41,330,147 |
| Gross Receivables | 606,347 | 942,561 | 39,706,920 | 74,319 | 41,330,147 |
| Less: Allowance for Uncollectibles | - | - | - | - | - |
| Net Total Receivables | <u>\$ 606,347</u> | <u>\$ 942,561</u> | <u>\$ 39,706,920</u> | <u>\$ 74,319</u> | <u>\$ 41,330,147</u> |

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

| | <u>Total</u> |
|---|----------------------|
| Special Revenue Fund | |
| Unencumbered Grant Drawdowns | \$ 1,829,728 |
| Capital Projects Fund | |
| Unrealized School Facilities Grants | <u>28,627,511</u> |
| Total Unearned Revenue for Governmental Funds | <u>\$ 30,457,239</u> |

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

| | Balance, July 1, 2012 | Increases | Decreases/ Adjustments | Balance, June 30, 2013 |
|--|--------------------------|---------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 245,000 | | | \$ 245,000 |
| Construction in Progress | <u>15,277,504</u> | \$ 8,269,347 | - | <u>23,546,851</u> |
| Total Capital Assets, Not Being Depreciated | <u>15,522,504</u> | <u>8,269,347</u> | - | <u>23,791,851</u> |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 123,555 | | | 123,555 |
| Buildings and Improvements | 71,932,089 | | | 71,932,089 |
| Machinery and Equipment | <u>1,954,173</u> | 301,209 | \$ (10,500) | <u>2,244,882</u> |
| Total Capital Assets Being Depreciated | <u>74,009,817</u> | <u>301,209</u> | <u>(10,500)</u> | <u>74,300,526</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (18,534) | (6,178) | | (24,712) |
| Buildings and Improvements | (30,539,702) | (3,267,729) | | (33,807,431) |
| Machinery and Equipment | <u>(435,972)</u> | <u>(193,297)</u> | 10,500 | <u>(618,769)</u> |
| Total Accumulated Depreciation | <u>(30,994,208)</u> | <u>(3,467,204)</u> | <u>10,500</u> | <u>(34,450,912)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>43,015,609</u> | <u>(3,165,995)</u> | - | <u>39,849,614</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 58,538,113</u> | <u>\$ 5,103,352</u> | <u>\$ -</u> | <u>\$ 63,641,465</u> |

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

| | <u>Balance,</u> <u>July 1, 2012</u> | <u>Increases</u> | <u>Decreases/</u> <u>Adjustments</u> | <u>Balance,</u> <u>June 30, 2013</u> |
|--|--|--------------------|---|---|
| Business-Type Activities: | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Machinery and Equipment | \$ 308,854 | - | - | \$ 308,854 |
| Total Capital Assets Being Depreciated | <u>308,854</u> | <u>-</u> | <u>-</u> | <u>308,854</u> |
| Less Accumulated Depreciation for: | | | | |
| Machinery and Equipment | <u>(184,545)</u> | \$ (14,021) | - | <u>(198,566)</u> |
| Total Accumulated Depreciation | <u>(184,545)</u> | <u>(14,021)</u> | <u>-</u> | <u>(198,566)</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 124,309</u> | <u>\$ (14,021)</u> | <u>\$ -</u> | <u>\$ 110,288</u> |

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

Governmental Activities:

| | | |
|--|--|---------------------|
| Instruction | | |
| Regular | | \$ 3,384,113 |
| Special | | <u>1,728</u> |
| Total Instruction | | <u>3,385,841</u> |
| Support Services | | |
| Support Services - Students | | 19,012 |
| General Administration | | 16,938 |
| School Administration | | 2,420 |
| Operations and Maintenance of Plant | | 10,024 |
| Student Transportation | | <u>22,469</u> |
| Total Support Services | | <u>70,863</u> |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 3,456,704</u> |

Business-Type Activities:

| | | |
|---|--|------------------|
| Food Service Fund | | \$ 14,021 |
| Total Depreciation Expense-Business-Type Activities | | <u>\$ 14,021</u> |

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2013:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|--|----------------------|---------------------------------|
| Aircraft Noise Abatement - Kearny High School | \$ 16,168,774 | \$ 915,072 |
| Franklin School Annex and Administration Offices | <u>1,331,970</u> | <u>1,580,069</u> |
| | <u>\$ 17,500,744</u> | <u>\$ 2,495,141</u> |

Asset Impairment and Insurance Proceeds

Insurance Proceeds

The District had insurance policies in effect at the time of the hurricane for comprehensive property damage (including flood), casualty, business interruption and other coverages. As of June 30, 2013, the insurers have remitted \$46,718. These funds are recorded as revenue in the General Fund as of June 30, 2013. The District estimates that a significant portion of the hurricane related losses will be covered through grants from the Federal Emergency Management Association (FEMA), potential grants from other Federal and/or State agencies and through additional insurance recoveries.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------------|------------------------------|---------------------|
| General Fund | Capital Projects Fund | \$ 1,259,284 |
| General Fund | Food Service Enterprise Fund | 240,325 |
| Unemployment Compensation Trust Fund | Payroll Agency Fund | <u>1,121</u> |
| Total | | <u>\$ 1,500,730</u> |

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.

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

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

Interfund Transfers

| | <u>Transfer In:</u> | | | | <u>Total</u> |
|-----------------------------|---------------------|-----------------------------|--------------------------|------------------------|--------------|
| | <u>General</u> | <u>Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Enterprise Fund</u> | |
| <u>Transfer Out:</u> | | | | | |
| General Fund | | \$ 488,526 | | \$ 411,604 | \$ 900,130 |
| Capital Projects Fund | \$ 13,602 | - | \$ 414,070 | - | 427,672 |
| | | | | | |
| Total Transfers Out | \$ 13,602 | \$ 488,526 | \$ 414,070 | \$ 411,604 | \$ 1,327,802 |

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

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. 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, 2013 are comprised of the following issues:

| | |
|--|---------------------|
| \$3,650,000, 2005 Bonds, due in annual installments of \$170,000 to \$230,000 through July 15, 2025, interest at 3.25% to 4.25% | \$ 2,645,000 |
| \$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% | <u>9,475,000</u> |
| | <u>\$12,120,000</u> |

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

| Fiscal Year Ending June 30, | Serial Bonds | | Total |
|-----------------------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | |
| 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 | 1,140,000 | 341,408 | 1,481,408 |
| 2018 | 1,145,000 | 294,439 | 1,439,439 |
| 2019-2023 | 5,800,000 | 755,500 | 6,555,500 |
| 2024-2026 | 675,000 | 43,456 | 718,456 |
| | <u>\$ 12,120,000</u> | <u>\$ 2,736,248</u> | <u>\$ 14,856,248</u> |

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2013 was as follows:

| | |
|---|-----------------------|
| 4% of Equalized Valuation Basis (Municipal) | \$ 136,452,123 |
| Less: Net Debt | <u>12,120,000</u> |
| Remaining Borrowing Power | <u>\$ 124,332,123</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

| | Balance, July 1, 2012 | Additions | Reductions | Balance, June 30, 2013 | Due Within One Year |
|--|--------------------------|-------------------|---------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable | \$ 13,210,000 | | \$ 1,090,000 | \$ 12,120,000 | \$ 1,095,000 |
| Compensated Absences | <u>16,005,209</u> | <u>\$ 317,356</u> | <u>2,052,676</u> | <u>14,269,889</u> | <u>1,689,968</u> |
| Governmental Activity Long-Term Liabilities | <u>\$ 29,215,209</u> | <u>\$ 317,356</u> | <u>\$ 3,142,676</u> | <u>\$ 26,389,889</u> | <u>\$ 2,784,968</u> |

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

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

G. Short-Term Debt

The Board's short-term activity for the year ended June 30, 2013 was as follows:

Grant Anticipation Notes

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction grants. The Board's short-term debt activity for the fiscal year ended June 30, 2013 was as follows:

| <u>Purpose</u> | <u>Rate</u> % | <u>Maturity</u> <u>Date</u> | <u>Balance,</u> <u>July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance,</u> <u>June 30, 2013</u> |
|-------------------------|------------------|--------------------------------|--|---------------------|----------------------|---|
| Grant Anticipation Note | 1.25% | 10/11/2013 | <u>\$ 10,000,000</u> | <u>\$ 7,500,000</u> | <u>\$ 10,000,000</u> | <u>\$ 7,500,000</u> |
| | | | <u>\$ 10,000,000</u> | <u>\$ 7,500,000</u> | <u>\$ 10,000,000</u> | <u>\$ 7,500,000</u> |

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 or the "Fund"). The Fund 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 fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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:

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Employee</u> <u>Contributions</u> | <u>Amount</u> <u>Reimbursed</u> | <u>Ending</u> <u>Balance</u> |
|---|---|------------------------------------|---------------------------------|
| 2013 | \$ 123,651 | \$ 128,136 | \$ 870,374 |
| 2012 | 113,960 | 119,899 | 879,244 |
| 2011 | 111,586 | 106,701 | 888,566 |

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.

Pending Litigation

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 spring of 2013, the general construction contractor for the Kearny High School façade project filed an arbitration claim against the Kearny Board of Education. The claim seeks recovery for alleged delay damages and disputed extra work claims that allegedly increased the project's cost per scope. The District has denied all of the allegations. This matter is in the early stages of discovery; therefore, in the opinion of counsel, it is not possible to estimate a likelihood of success at this time.

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, 2013, 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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 OTHER INFORMATION (Continued)

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, 2013, 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 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.

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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

Other Pension Funds (Continued)

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.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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.

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 77.5 percent and \$11.6 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 July 1, 2011 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 (a) a revised investment rate of return for all retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases of 4.52 percent for the PERS and 3.90 percent for TPAF.

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 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, the 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, 2013, 2012 and 2011 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:

| Fiscal Year Ended <u>June 30,</u> | <u>PERS</u> | On-behalf <u>TPAF</u> | <u>DCRP</u> |
|---|-------------|--------------------------|-------------|
| 2013 | \$ 793,344 | \$ 2,515,781 | \$ 27,423 |
| 2012 | 781,072 | 1,183,205 | 20,137 |
| 2011 | 774,420 | 110,329 | 16,168 |

The State contributed \$2,515,781 and \$1,183,205 during 2012/2013 and 2011/2012, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2010/2011, the State did not contribute to the TPAF for normal cost and accrued liability; however, the State contributed \$110,329 for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,814,587 during the fiscal year ended June 30, 2013 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.

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 566 state and local participating employers and contributing entities for 2011/12 fiscal year.

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.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

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 July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$18.0 billion for state active and retired members and \$30.9 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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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 July 1, 2011, actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

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, 2012, there were 97,661, retirees receiving post-retirement medical benefits and the State contributed \$958.9 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in the 2011/12 fiscal year.

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, 2013, 2012 and 2011 were \$2,844,714, \$2,378,551 and \$2,343,396, 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.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

F. Hurricane Sandy

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The District has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the District has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of June 30, 2013. As of June 30, 2013, the District has received \$46,718 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

G. Grant Anticipation Notes

On September 25, 2013, the Board authorized the issuance of \$15,000,000 of Grant Anticipation Notes for the purpose of financing the District's aircraft noise abatement projects. The Board has awarded the sale of said notes to Oppenheimer at an interest rate of 1.25%. These notes are dated October 10, 2013, and will mature on October 9, 2014.

BUDGETARY COMPARISON SCHEDULES

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$ 45,595,029 | | \$ 45,595,029 | \$ 45,595,029 | |
| Transportation Fees | 5,000 | | 5,000 | | \$ (5,000) |
| Interest on Capital Reserve | 1,000 | | 1,000 | 3,582 | 2,582 |
| Unrestricted Miscellaneous Revenues | 650,000 | - | 650,000 | 769,393 | 119,393 |
| Total Local Sources | 46,251,029 | - | 46,251,029 | 46,368,004 | 116,975 |
| Intermediate Sources | | | | | |
| Restricted Miscellaneous Revenues | 62,000 | - | 62,000 | 65,134 | 3,134 |
| State Sources | | | | | |
| Equalization Aid | 26,171,739 | | 26,171,739 | 26,171,739 | |
| Categorical Special Education Aid | 3,487,552 | | 3,487,552 | 3,487,552 | |
| Categorical Security Aid | 306,118 | | 306,118 | 306,118 | |
| Categorical Transportation Aid | 52,957 | | 52,957 | 52,957 | |
| Extraordinary Aid | 204,562 | | 204,562 | 200,580 | (3,982) |
| On Behalf TPAF (Non Budgeted) | | | | | |
| NCGI Premium | | | | 125,748 | 125,748 |
| Pension Contribution | | | | 2,390,033 | 2,390,033 |
| Post Retirement Medical Contributions | | | | 2,844,714 | 2,844,714 |
| Reimbursed Social Security Contribution | - | - | - | 2,814,587 | 2,814,587 |
| Total State Sources | 30,222,928 | - | 30,222,928 | 38,394,028 | 8,171,100 |
| Federal Sources | | | | | |
| Education Jobs Fund | | - | | 2,621 | 2,621 |
| Medicaid Assistance Program (SEMI) | 110,127 | - | 110,127 | 72,079 | (38,048) |
| Total Federal Sources | 110,127 | - | 110,127 | 74,700 | (35,427) |
| Total Revenues | 76,646,084 | - | 76,646,084 | 84,901,866 | 8,255,782 |
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES | | | | | |
| Instruction - Regular Programs | | | | | |
| Salaries of Teachers | | | | | |
| Kindergarten | 1,886,696 | \$ 29,913 | 1,916,609 | 1,901,001 | 15,608 |
| Grades 1-5 | 9,629,383 | 302,415 | 9,931,798 | 9,835,804 | 95,994 |
| Grades 6-8 | 5,946,201 | (79,096) | 5,867,105 | 5,766,258 | 100,847 |
| Grades 9-12 | 9,359,370 | (182,000) | 9,177,370 | 9,068,762 | 108,608 |
| Regular Programs - Home Instruction | | | | | |
| Salaries of Teachers | 140,622 | 4,071 | 144,693 | 144,693 | |
| Purchased Professional Educational Services | 35,700 | (4,071) | 31,629 | 26,216 | 5,413 |
| Regular Programs - Undistributed Instruction | | | | | |
| Purchased Professional Educational Services | 153,000 | 376,740 | 529,740 | 176,754 | 352,986 |
| Other Purchased Services | 282,327 | (7,000) | 275,327 | 228,186 | 47,141 |
| General Supplies | 1,026,357 | 31,154 | 1,057,511 | 867,053 | 190,458 |
| Textbooks | 263,668 | 408,348 | 672,016 | 279,564 | 392,452 |
| Other Objects | 155,310 | (18,810) | 136,500 | 103,649 | 32,851 |
| Total Regular Programs | 28,878,634 | 861,664 | 29,740,298 | 28,397,940 | 1,342,358 |
| Learning /Language Disabilities | | | | | |
| Salaries of Teachers | 764,492 | 476 | 764,968 | 764,968 | |
| Other Salaries for Instruction | 519,750 | (137,841) | 381,909 | 381,909 | |
| General Supplies | 8,071 | 2,634 | 10,705 | 5,306 | 5,399 |
| Textbooks | 8,000 | (5,136) | 2,864 | 2,864 | |
| Other Objects | 3,000 | 626 | 3,626 | 1,242 | 2,384 |
| Total Learning /Language Disabilities | 1,303,313 | (139,241) | 1,164,072 | 1,156,289 | 7,783 |

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| EXPENDITURES | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| CURRENT EXPENDITURES (Continued) | | | | | |
| Behavioral Disabilities | | | | | |
| Salaries of Teachers | \$ 59,069 | \$ 1,459 | \$ 60,528 | \$ 59,844 | \$ 684 |
| General Supplies | 3,000 | | 3,000 | 2,969 | 31 |
| Textbooks | 1,302 | 73 | 1,375 | 73 | 1,302 |
| Total Behavioral Disabilities | 63,371 | 1,532 | 64,903 | 62,886 | 2,017 |
| Resource Room/Resource Center | | | | | |
| Salaries of Teachers | 2,413,974 | 350,934 | 2,764,908 | 2,764,908 | |
| Other Salaries for Instruction | 357,750 | 112,373 | 470,123 | 470,123 | |
| General Supplies | 4,623 | | 4,623 | 3,802 | 821 |
| Textbooks | 5,515 | - | 5,515 | 3,032 | 2,483 |
| Total Resource Room/Resource Center | 2,781,862 | 463,307 | 3,245,169 | 3,241,865 | 3,304 |
| Preschool Disabilities - Part - Time | | | | | |
| Salaries of Teachers | 89,515 | | 89,515 | 87,835 | 1,680 |
| Other Salaries for Instruction | 47,250 | | 47,250 | 4,770 | 42,480 |
| General Supplies | 2,443 | - | 2,443 | - | 2,443 |
| Total Preschool Disabilities - Part - Time | 139,208 | - | 139,208 | 92,605 | 46,603 |
| Total Special Education | 4,287,754 | 325,598 | 4,613,352 | 4,553,645 | 59,707 |
| Basic Skills/Remedial | | | | | |
| Salaries of Teachers | 1,143,013 | (390,223) | 752,790 | 671,079 | 81,711 |
| General Supplies | 40,000 | | 40,000 | 23,766 | 16,234 |
| Textbooks | 4,000 | - | 4,000 | 2,112 | 1,888 |
| Total Basic Skills/Remedial | 1,187,013 | (390,223) | 796,790 | 696,957 | 99,833 |
| Bilingual Education | | | | | |
| Salaries of Teachers | 1,235,559 | (273,011) | 962,548 | 945,484 | 17,064 |
| General Supplies | 5,000 | | 5,000 | | 5,000 |
| Textbooks | 5,000 | - | 5,000 | - | 5,000 |
| Total Bilingual Education | 1,245,559 | (273,011) | 972,548 | 945,484 | 27,064 |
| Vocational Programs- Local - Instruction | | | | | |
| Salaries of Teachers | 280,596 | 2,011 | 282,607 | 282,607 | |
| General Supplies | 65,761 | (8,758) | 57,003 | 24,342 | 32,661 |
| Total Vocational Programs- Local - Instruction | 346,357 | (6,747) | 339,610 | 306,949 | 32,661 |
| School Sponsored Co/Extra Curricular Activities | | | | | |
| Salaries | 113,242 | 12,451 | 125,693 | 125,693 | |
| Purchased Services | 20,000 | | 20,000 | 13,939 | 6,061 |
| Other Objects | - | 1,709 | 1,709 | 1,709 | - |
| Total School Sponsored Co/Extra Curricular Activities | 133,242 | 14,160 | 147,402 | 141,341 | 6,061 |
| School Sponsored Athletics | | | | | |
| Salaries | 486,756 | (6,548) | 480,208 | 472,114 | 8,094 |
| Purchased Services | 238,018 | (6,159) | 231,859 | 219,285 | 12,574 |
| Supplies and Materials | 88,300 | 12,286 | 100,586 | 80,738 | 19,848 |
| Other Objects | 124,106 | 15,401 | 139,507 | 132,413 | 7,094 |
| Total School Sponsored Athletics | 937,180 | 14,980 | 952,160 | 904,550 | 47,610 |
| Total - Instruction | 37,015,739 | 546,421 | 37,562,160 | 35,946,866 | 1,615,294 |

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|------------------|------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures | | | | | |
| Instruction | | | | | |
| Tuition to Other LEAs Within State-Special | \$ 224,201 | \$ 41,544 | \$ 265,745 | \$ 251,800 | \$ 13,945 |
| Tuition to CSSD & Regional Day Schools | 460,475 | (201,889) | 258,586 | 248,641 | 9,945 |
| Tuition to Private School for Disabled W/I | 3,557,690 | | 3,557,690 | 3,522,201 | 35,489 |
| Tuition - State Facilities | 17,699 | - | 17,699 | 17,699 | - |
| Total Undistributed Expenditures - Instruction | 4,260,065 | (160,345) | 4,099,720 | 4,040,341 | 59,379 |
| Attendance and Social Work | | | | | |
| Salaries | 12,592 | - | 12,592 | - | 12,592 |
| Total Attendance and Social Work | 12,592 | - | 12,592 | - | 12,592 |
| Health Services | | | | | |
| Salaries | 595,044 | 43,615 | 638,659 | 635,495 | 3,164 |
| Purchased Professional and Technical Services | 8,000 | | 8,000 | 8,000 | - |
| Other Purchased Services | 150,500 | (44,845) | 105,655 | 67,730 | 37,925 |
| Supplies and Materials | 10,000 | - | 10,000 | 8,052 | 1,948 |
| Total Health Services | 763,544 | (1,230) | 762,314 | 719,277 | 43,037 |
| Speech, OT, PT & Related Services | | | | | |
| Purchased Professional - Educational Services | 500,000 | 82,127 | 582,127 | 543,758 | 38,369 |
| Total Speech, OT, PT & Related Services | 500,000 | 82,127 | 582,127 | 543,758 | 38,369 |
| Guidance | | | | | |
| Salaries of Other Professional Staff | 1,367,380 | 106,025 | 1,473,405 | 1,471,467 | 1,938 |
| Salaries of Secretarial and Clerical Assistants | 91,927 | 13,043 | 104,970 | 104,970 | |
| Purchased Professional-Educational Services | 8,000 | (621) | 7,379 | 5,073 | 2,306 |
| Supplies and Materials | - | 621 | 621 | - | 621 |
| Total Guidance | 1,467,307 | 119,068 | 1,586,375 | 1,581,510 | 4,865 |
| Child Study Teams | | | | | |
| Salaries of Other Professional Staff | 1,357,014 | (148,731) | 1,208,283 | 1,208,283 | |
| Salaries of Secretarial and Clerical Assistants | 106,580 | 2,222 | 108,802 | 108,802 | |
| Other Purchased Professional & Technical Services | 25,200 | 68,845 | 94,045 | 90,785 | 3,260 |
| Supplies and Materials | 20,000 | 4,489 | 24,489 | 24,089 | 400 |
| Total Child Study Teams | 1,508,794 | (73,175) | 1,435,619 | 1,431,959 | 3,660 |
| Improvement of Instructional Service | | | | | |
| Salaries of Other Professional Staff | 167,889 | (92,998) | 74,891 | 58,574 | 16,317 |
| Salaries of Secretarial and Clerical Assistants | 27,829 | 371 | 28,200 | 28,200 | |
| Salaries of Facilitators, Math & Literacy Coaches | 20,444 | - | 20,444 | 20,444 | - |
| Total Improvement of Instructional Service | 216,162 | (92,627) | 123,535 | 107,218 | 16,317 |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-----------------|------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| Educational Media Services/School Library | | | | | |
| Salaries | \$ 795,084 | | \$ 795,084 | \$ 779,642 | \$ 15,442 |
| Supplies and Materials | 30,804 | \$ 151 | 30,955 | 29,335 | 1,620 |
| Total Educational Media Services/School Library | 825,888 | 151 | 826,039 | 808,977 | 17,062 |
| Instructional Staff Training Services | | | | | |
| Purchased Professional-Educational Services | 7,000 | 1,736 | 8,736 | 8,736 | |
| Supplies and Materials | 7,000 | (786) | 6,214 | 4,385 | 1,829 |
| Other Objects | 5,000 | 90,350 | 95,350 | 94,050 | 1,300 |
| Total Improvement of Instructional Service | 19,000 | 91,300 | 110,300 | 107,171 | 3,129 |
| Support Services General Administration | | | | | |
| Salaries | 1,359,631 | (22,108) | 1,337,523 | 1,224,871 | 112,652 |
| Legal Services | 135,000 | 72,567 | 207,567 | 186,270 | 21,297 |
| Audit Fees | 40,500 | 1,205 | 41,705 | 41,705 | |
| Architectural/Engineering Services | 70,000 | 120,228 | 190,228 | 101,158 | 89,070 |
| Other Purchased Professional Services | 40,000 | 26,000 | 66,000 | 62,730 | 3,270 |
| Purchased Technical Services | 99,490 | | 99,490 | 63,095 | 36,395 |
| Communications/Telephone | 150,000 | | 150,000 | 130,113 | 19,887 |
| Miscellaneous Purchased Services | 86,965 | (2,526) | 84,439 | 79,876 | 4,563 |
| General Supplies | 13,474 | | 13,474 | 12,326 | 1,148 |
| BOE In-House Training/Meeting Supplies | 1,836 | | 1,836 | 1,038 | 798 |
| Miscellaneous Expenditures | 52,700 | 6,826 | 59,526 | 48,362 | 11,164 |
| BOE Membership Dues and Fees | 28,908 | - | 28,908 | 28,563 | 345 |
| Total Support Services General Administration | 2,078,504 | 202,192 | 2,280,696 | 1,980,107 | 300,589 |
| Support Services School Administration | | | | | |
| Salaries of Principals/Asst. Principals | 3,548,232 | 251,510 | 3,799,742 | 3,495,766 | 303,976 |
| Salaries of Secretarial and Clerical Assistants | 987,256 | 145,857 | 1,133,113 | 1,031,401 | 101,712 |
| Other Purchased Services | 37,450 | 35,119 | 72,569 | 64,184 | 8,385 |
| Supplies and Materials | 26,000 | 3,895 | 29,895 | 23,382 | 6,513 |
| Other Objects | 73,586 | 10,071 | 83,657 | 81,881 | 1,776 |
| Total Support Services School Administration | 4,672,524 | 446,452 | 5,118,976 | 4,696,614 | 422,362 |
| Central Services | | | | | |
| Salaries | 606,224 | 30,000 | 636,224 | 620,806 | 15,418 |
| Purchased Professional Services | 30,000 | 33,500 | 63,500 | 40,500 | 23,000 |
| Purchased Technical Services | 15,000 | (3,500) | 11,500 | 3,499 | 8,001 |
| Supplies and Materials | 20,000 | | 20,000 | 15,620 | 4,380 |
| Interest on Current Loans | 150,000 | | 150,000 | 149,583 | 417 |
| Other Objects | 5,000 | - | 5,000 | 2,195 | 2,805 |
| Total Central Services | 826,224 | 60,000 | 886,224 | 832,203 | 54,021 |
| Admin. Info. Technology | | | | | |
| Salaries | 412,387 | 25,000 | 437,387 | 419,502 | 17,885 |
| Purchased Professional Services | | 19,262 | 19,262 | 9,262 | 10,000 |
| Purchased Technical Services | 4,000 | | 4,000 | | 4,000 |
| Supplies and Materials | 500 | 10,000 | 10,500 | - | 10,500 |
| Total Admin. Info. Technology | 416,887 | 54,262 | 471,149 | 428,764 | 42,385 |

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| Required Maintenance for School Facilities | | | | | |
| Salaries | \$ 1,156,477 | \$ 2,425 | \$ 1,158,902 | \$ 1,124,047 | \$ 34,855 |
| Cleaning, Repair and Maintenance Services | 636,488 | 91,543 | 728,031 | 648,079 | 79,952 |
| General Supplies | 240,000 | 59,378 | 299,378 | 297,667 | 1,711 |
| Total Required Maint. for School Facilities | 2,032,965 | 153,346 | 2,186,311 | 2,069,793 | 116,518 |
| Custodial Services | | | | | |
| Salaries | 2,952,172 | 4,560 | 2,956,732 | 2,910,565 | 46,167 |
| Rental of Land & Bldg. Oth. Than Lease Purch Agreement | 61,388 | | 61,388 | 60,662 | 726 |
| Insurance | 228,213 | 3,307 | 231,520 | 231,520 | |
| General Supplies | 150,000 | 65,168 | 215,168 | 173,035 | 42,133 |
| Energy (Electricity) | 994,000 | (184,973) | 809,027 | 768,152 | 40,875 |
| Energy (Natural Gas) | 860,753 | (234,008) | 626,745 | 565,355 | 61,390 |
| Energy (Oil) | 12,000 | (3,307) | 8,693 | 464 | 8,229 |
| Other Objects | 30,000 | 32,284 | 62,284 | 62,074 | 210 |
| Total Custodial Services | 5,288,526 | (316,969) | 4,971,557 | 4,771,827 | 199,730 |
| Care and Upkeep of Grounds | | | | | |
| Salaries | 159,318 | 20,997 | 180,315 | 180,315 | - |
| Total Care and Upkeep of Grounds | 159,318 | 20,997 | 180,315 | 180,315 | - |
| Security | | | | | |
| Salaries | 163,385 | 36,000 | 199,385 | 198,110 | 1,275 |
| Total Security | 163,385 | 36,000 | 199,385 | 198,110 | 1,275 |
| Student Transportation Services | | | | | |
| Salaries for Pupil Transportation (Between Home and School) - Special Ed. | 326,093 | 23,238 | 349,331 | 338,500 | 10,831 |
| Salaries for Pupil Transportation (Other Than Between Home and School) | 29,520 | 13,648 | 43,168 | 43,168 | |
| Contracted Services (Other than Between Home and School) - Vendors | 5,000 | - | 5,000 | 4,494 | 506 |
| Cleaning, Repair & Maint. Services | 30,000 | 23,000 | 53,000 | 47,062 | 5,938 |
| Contracted Services (Between Home and School) Vendors | 900,000 | (32,886) | 867,114 | 866,354 | 760 |
| Misc. Purchased Services- Transportation | 150 | 10,000 | 10,150 | 4,404 | 5,746 |
| Transportation Supplies | 2,000 | | 2,000 | 346 | 1,654 |
| General Supplies | 2,000 | - | 2,000 | - | 2,000 |
| Total Student Transportation Services | 1,294,763 | 37,000 | 1,331,763 | 1,304,328 | 27,435 |
| Unallocated Benefits | | | | | |
| Group Insurance | 22,000 | | 22,000 | 18,995 | 3,005 |
| Social Security Contribution | 1,125,000 | 1,290 | 1,126,290 | 1,114,339 | 11,951 |
| Other Retirement Contributions - PERS | 726,180 | 117,820 | 844,000 | 831,254 | 12,746 |
| Workmen's Compensation | 504,042 | | 504,042 | 489,010 | 15,032 |
| Health Benefits | 11,594,370 | (1,454,127) | 10,140,243 | 9,416,822 | 723,421 |
| Tuition Reimbursement | 51,000 | - | 51,000 | 25,437 | 25,563 |
| Total Unallocated Benefits | 14,022,592 | (1,335,017) | 12,687,575 | 11,895,857 | 791,718 |

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|-----------------|------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| On Behalf TPAF (Non Budgeted) | | | | | |
| NCGI Premium | | | | \$ 125,748 | \$ (125,748) |
| Pension Contribution | | | | 2,390,033 | (2,390,033) |
| Post Retirement Medical Contributions | | | | 2,844,714 | (2,844,714) |
| Social Security Contribution | - | - | - | 2,814,587 | (2,814,587) |
| Total TPAF Contributions | - | - | - | 8,175,082 | (8,175,082) |
| Total Undistributed Expenditures | \$ 40,529,040 | \$ (676,468) | \$ 39,852,572 | 45,873,211 | (6,020,639) |
| Total Current Expenditures | 77,544,779 | (130,047) | 77,414,732 | 81,820,077 | (4,405,345) |
| CAPITAL OUTLAY | | | | | |
| Interest Deposit to Capital Reserve | 1,000 | - | 1,000 | - | 1,000 |
| Equipment | | | | | |
| Undistributed Expenditures | | | | | |
| Instruction | | 238,147 | 238,147 | 238,147 | - |
| Custodial | | 2,649 | 2,649 | | 2,649 |
| Non-Instr. Services | | 11,474 | 11,474 | 11,474 | - |
| Athletic Equipment | | 8,700 | 8,700 | - | 8,700 |
| School Sponsored and Other Instructional Programs | - | 9,010 | 9,010 | 9,010 | - |
| Total Equipment | - | 269,980 | 269,980 | 258,631 | 11,349 |
| Facilities Acquisition and Construction Services | | | | | |
| Architectural/Engineering Services | | - | | | - |
| Construction Services | | 71,119 | 71,119 | - | 71,119 |
| Other Objects - Debt Service Assessment | 126,384 | - | 126,384 | 126,384 | - |
| Total Facilities Acquis. and Const. Services | 126,384 | 71,119 | 197,503 | 126,384 | 71,119 |
| Total Capital Outlay | 127,384 | 341,099 | 468,483 | 385,015 | 83,468 |
| SPECIAL SCHOOLS | | | | | |
| Summer School - Instruction | | | | | |
| Salaries of Teachers | | 34,000 | 34,000 | 34,000 | |
| Other Salaries for Instruction | | 18,448 | 18,448 | 18,448 | |
| Other Objects | - | 2,075 | 2,075 | 2,075 | - |
| Total Summer School - Instruction | - | 54,523 | 54,523 | 54,523 | - |
| Adult Education - Local - Instruction | | | | | |
| Salaries | 25,000 | 3,290 | 28,290 | 28,290 | - |
| Purchased Professional and Technical Services | 15,000 | (2,485) | 12,515 | 12,460 | 55 |
| Supplies and Materials | 20,000 | 2,765 | 22,765 | 22,764 | 1 |
| Total Adult Education - Local - Instruction | 60,000 | 3,570 | 63,570 | 63,514 | 56 |
| Total Special Schools | 60,000 | 58,093 | 118,093 | 118,037 | 56 |
| Total Expenditures | 77,732,163 | 269,145 | 78,001,308 | 82,323,129 | (4,321,821) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,086,079) | (269,145) | (1,355,224) | 2,578,737 | 3,933,961 |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers Out-Food Service | (300,275) | (111,956) | (412,231) | (411,604) | 627 |
| Operating Transfers In - Capital Projects Fund | | | | 13,602 | 13,602 |
| Operating Transfers Out-Preschool Education | (488,526) | - | (488,526) | (488,526) | - |
| Total Other Financing Sources (Uses) | (788,801) | (111,956) | (900,757) | (886,528) | 14,229 |

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-----------------|---------------|--------------------------------|
| Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses) | \$ (1,874,880) | \$ (381,101) | \$ (2,255,981) | \$ 1,692,209 | \$ 3,948,190 |
| Fund Balances, Beginning of Year | 11,107,017 | - | 11,107,017 | 11,107,017 | - |
| Fund Balances, End of Year | \$ 9,232,137 | \$ (381,101) | \$ 8,851,036 | \$ 12,799,226 | \$ 3,948,190 |
| Recapitulation of Fund Balance | | | | | |
| Restricted | | | | | |
| Capital Reserve | | | | \$ 5,735,972 | |
| Adult Education Program | | | | 60,189 | |
| Excess Surplus | | | | 1,552,384 | |
| Excess Surplus, Designated for Subsequent Year's Budget | | | | 1,342,509 | |
| Committed | | | | | |
| Encumbrances | | | | 180,361 | |
| Assigned | | | | | |
| Designated for Subsequent Year's Budget | | | | 1,878,602 | |
| Encumbrances | | | | 548,246 | |
| Unassigned | | | | 1,500,963 | |
| | | | | 12,799,226 | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Less: State Aid Not Recognized on GAAP Basis (June 30, 2013) | | | | 3,185,743 | |
| Fund Balance Per Governmental Funds (GAAP) | | | | \$ 9,613,483 | |

KEARNY BOARD OF EDUCATION
GENERAL FUND
EDUCATION JOBS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|-----------------|----------|--------------------------------|
| REVENUES | | | | | |
| Federal Sources | | | | | |
| Education Jobs Fund | - | \$ 2,621 | \$ 2,621 | \$ 2,621 | - |
| Total Revenues | - | 2,621 | 2,621 | 2,621 | - |
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES | | | | | |
| Undistributed Expenditures | | | | | |
| Custodial Services | | | | | |
| Salaries | - | 2,435 | 2,435 | 2,435 | - |
| Total Custodial Services | - | 2,435 | 2,435 | 2,435 | - |
| Unallocated Benefits | | | | | |
| Other Retirement Contributions - PERS | - | 186 | 186 | 186 | - |
| Total Unallocated Benefits | - | 186 | 186 | 186 | - |
| Total Expenditures | - | 2,621 | 2,621 | 2,621 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ - | \$ - |

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

EXHIBIT C-2

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| REVENUES | | | | | |
| State Sources | \$ 1,079,701 | \$ 144,547 | \$ 1,224,248 | \$ 737,174 | \$ (487,074) |
| Local Sources | | 7,578 | 7,578 | 2,568 | (5,010) |
| Federal Sources | <u>2,376,566</u> | <u>728,309</u> | <u>3,104,875</u> | <u>2,866,511</u> | <u>(238,364)</u> |
| Total Revenues | <u>3,456,267</u> | <u>880,434</u> | <u>4,336,701</u> | <u>3,606,253</u> | <u>(730,448)</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries of Teachers | 1,694,358 | (169,354) | 1,525,004 | 1,492,307 | 32,697 |
| Other Salaries for Instruction | 1,200,281 | (935,522) | 264,759 | 195,058 | 69,701 |
| Purchased Prof. and Tech. Svcs. | 469,236 | (12,959) | 456,277 | 64,953 | 391,324 |
| Other Purchased Services | | 2,000 | 2,000 | | 2,000 |
| Tuition | 22,466 | 1,135,252 | 1,157,718 | 1,157,718 | - |
| General Supplies | 10,000 | 243,840 | 253,840 | 138,375 | 115,465 |
| Textbooks | 11,809 | 40,253 | 52,062 | 52,062 | - |
| Other Objects | <u>-</u> | <u>6,815</u> | <u>6,815</u> | <u>6,815</u> | <u>-</u> |
| Total Instruction | <u>3,408,150</u> | <u>310,325</u> | <u>3,718,475</u> | <u>3,107,288</u> | <u>611,187</u> |
| Support Services | | | | | |
| Salaries of Program Directors | 38,057 | 111,135 | 149,192 | 136,375 | 12,817 |
| Salaries of Other Professional Staff | | 15,701 | 15,701 | 15,701 | - |
| Salaries of Secretarial and Clerical Asst. | 27,851 | 18,354 | 46,205 | 46,205 | - |
| Other Salaries | 16,869 | (8,012) | 8,857 | 8,851 | 6 |
| Salaries of Master Teacher | 101,485 | 38,144 | 139,629 | 139,628 | 1 |
| Personal Services - Employee Benefits | 207,678 | 265,341 | 473,019 | 409,131 | 63,888 |
| Purchased Prof./Educ. Svcs. | 110,639 | 42,046 | 152,685 | 126,100 | 26,585 |
| Purchased Prof. and Technical Svcs. | | 14,108 | 14,108 | 14,108 | - |
| Purchased Educ. Svcs.- Contracted PreK | 2,500 | 1,936 | 4,436 | - | 4,436 |
| Travel | 900 | 2,101 | 3,001 | 1,401 | 1,600 |
| Other Purchased Services | 19,500 | 10,670 | 30,170 | 23,820 | 6,350 |
| Supplies and Materials | 8,764 | 31,872 | 40,636 | 37,058 | 3,578 |
| Other Objects | <u>2,400</u> | <u>900</u> | <u>3,300</u> | <u>3,300</u> | <u>-</u> |
| Total Support Services | <u>536,643</u> | <u>544,296</u> | <u>1,080,939</u> | <u>961,678</u> | <u>119,261</u> |
| Facilities Acquisition and Const. Serv. | | | | | |
| Instructional Equipment | | 14,635 | 14,635 | 14,635 | - |
| Non Instructional Equipment | <u>-</u> | <u>11,178</u> | <u>11,178</u> | <u>11,178</u> | <u>-</u> |
| Total Facilities Acq. and Const. Serv. | <u>-</u> | <u>25,813</u> | <u>25,813</u> | <u>25,813</u> | <u>-</u> |
| Total Expenditures | <u>3,944,793</u> | <u>880,434</u> | <u>4,825,227</u> | <u>4,094,779</u> | <u>730,448</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(488,526)</u> | <u>-</u> | <u>(488,526)</u> | <u>(488,526)</u> | <u>-</u> |
| Budgeted Transfer from General Fund | 488,526 | - | 488,526 | 488,526 | - |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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) \$ 84,901,866 | (C-2) \$ 3,606,253 |
| 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 | | 8,143 |
| State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2012) | 3,187,700 | |
| State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2013) | <u>(3,185,743)</u> | <u>-</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | (B-2) \$ <u>84,903,823</u> | (B-2) \$ <u>3,614,396</u> |
| Uses/Outflows of Resources | | |
| Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule | (C-1) \$ 82,323,129 | (C-2) \$ 4,094,779 |
| 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) | <u>-</u> | <u>8,143</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | (B-2) \$ <u>82,323,129</u> | (B-2) \$ <u>4,102,922</u> |

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, 2013**

Chapter 192/193 Services

| | Private Donations | SYBSFG | Nonpublic Nursing Services | Nonpublic Textbooks | Nonpublic Technology | ESL | Supplemental Instruction | Compensatory Education | Exam & Classification | Corrective Speech | Preschool Education Aid | Sub-Total to Page 1 |
|---|-------------------|----------------|----------------------------|---------------------|----------------------|--------------|--------------------------|------------------------|-----------------------|-------------------|-------------------------|---------------------|
| REVENUES | | | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | | | |
| State | \$ 2,568 | \$ 276,037 | \$ 9,528 | \$ 6,869 | \$ 2,535 | \$ 1,705 | \$ 7,771 | \$ 27,925 | \$ 13,725 | \$ 5,781 | \$ 385,298 | \$ 737,174 |
| Local | | | | | | | | | | | | 2,568 |
| Federal | | | | | | | | | | | | |
| Total Revenues | 2,568 | 276,037 | 9,528 | 6,869 | 2,535 | 1,705 | 7,771 | 27,925 | 13,725 | 5,781 | 385,298 | 739,742 |
| EXPENDITURES | | | | | | | | | | | | |
| Instruction | | | | | | | | | | | | |
| Salaries of Teachers | | | | | | | | | | | 508,036 | 508,036 |
| Other Salaries for Instruction | | | | | | | | | | | 120,718 | 120,718 |
| Purchased Prof. and Technical Services | | | | | | 1,705 | 7,771 | 27,925 | 13,725 | 5,781 | 5,189 | 56,907 |
| General Supplies | 2,322 | | | 6,869 | | | | | | | | 7,511 |
| Textbooks | | | | | | | | | | | | 6,869 |
| Other Objects | | | | | | | | | | | | |
| Total Instruction | 2,322 | | | 6,869 | | 1,705 | 7,771 | 27,925 | 13,725 | 5,781 | 633,943 | 700,041 |
| Support Services | | | | | | | | | | | | |
| Salaries of Supervisors/Program Directors | | 46,069 | | | | | | | | | | 46,069 |
| Salaries of Other Prof. Staff | | 46,205 | 8,851 | | | | | | | | | 46,205 |
| Salaries of Secretarial & Clerical Asst. | | | | | | | | | | | | 8,851 |
| Other Salaries | | | | | | | | | | | | |
| Salaries of Master Teacher | | 21,840 | 677 | | | | | | | | \$ 101,628 | 101,628 |
| Personal Svcs-Employee Benefits | | 102,812 | | | | | | | | | 137,042 | 159,559 |
| Purchased Prof. Educ. Services | | 805 | | | | | | | | | | 102,812 |
| Travel | | | | | | | | | | | | 805 |
| Other Purchased Services | | 20,536 | | | | | | | | | 1,211 | 21,793 |
| Supplies and Materials | 46 | | | | | | | | | | | 21,292 |
| Other Objects | | 3,300 | | | | | | | | | | 3,300 |
| Total Support Services | 46 | 264,859 | 9,528 | | | | | | | | 239,881 | 514,314 |
| Facilities Acq. and Construction | | | | | | | | | | | | |
| Instructional Equip. | 200 | | | | 2,535 | | | | | | | 2,735 |
| Non-Instruc. Equipment | | 11,178 | | | | | | | | | | 11,178 |
| Total Facilities Acq. & Constr. | 200 | 11,178 | | | 2,535 | | | | | | | 13,913 |
| Total Expenditures | 2,568 | 276,037 | 9,528 | 6,869 | 2,535 | 1,705 | 7,771 | 27,925 | 13,725 | 5,781 | 873,824 | 1,228,268 |
| (Deficiency) of Revenues (Under) Expenditures | | | | | | | | | | | (488,526) | (488,526) |
| Budgeted Transfer from General Fund | | | | | | | | | | | 488,526 | 488,526 |
| Fund Balance, Beginning of Year | | | | | | | | | | | | |
| Fund Balance, End of Year | | | | | | | | | | | | |

**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, 2013**

| EXPENDITURES | Original Budget | Budget Transfers | Final Budget | Actual | Variance |
|--|----------------------------|-----------------------------|-------------------------|-------------------|------------------|
| Instruction | | | | | |
| Salaries of Teachers | \$ 526,861 | \$ - | \$ 526,861 | \$ 508,036 | \$ 18,825 |
| Other Salaries for Instruction | 121,500 | - | 121,500 | 120,718 | 782 |
| General Supplies | 10,000 | 4,408 | 14,408 | 5,189 | 9,219 |
| | <u>658,361</u> | <u>4,408</u> | <u>662,769</u> | <u>633,943</u> | <u>28,826</u> |
| Total Instruction | | | | | |
| Support Services | | | | | |
| Salaries of Master Teachers | 101,485 | 143 | 101,628 | 101,628 | - |
| Personal Services - Employee Benefits | 191,219 | 71 | 191,290 | 137,042 | 54,248 |
| Purchased Ed Services - Contracted Pre K | 2,500 | 1,936 | 4,436 | | 4,436 |
| Travel | 500 | 500 | 1,000 | | 1,000 |
| Supplies and Materials | 2,000 | 95 | 2,095 | 1,211 | 884 |
| | <u>297,704</u> | <u>2,745</u> | <u>300,449</u> | <u>239,881</u> | <u>60,568</u> |
| Total Support Services | | | | | |
| Total Expenditures | <u>\$ 956,065</u> | <u>\$ 7,153</u> | <u>\$ 963,218</u> | <u>\$ 873,824</u> | <u>\$ 89,394</u> |

Calculation of Budget Carryover

| | |
|---|-------------------|
| Total Revised 2012-2013 Preschool Education Aid Allocation | \$ 467,539 |
| Add: | |
| Actual Preschool Education Carryover (June 30, 2012) | 84,117 |
| Budgeted Transfer from the General Fund 2012-2013 | 488,526 |
| Total Preschool Education Aid Funds Available for 2012-2013 Budget | 1,040,182 |
| Less: 2012-2013 Budgeted Preschool Education Aid (Including prior year budgeted carryover) | <u>963,218</u> |
| Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2013 | 76,964 |
| Add: June 30, 2013 Unexpended Preschool Education Aid | <u>89,394</u> |
| 2012-2013 Carryover - Preschool Education Aid /Preschool Programs | <u>\$ 166,358</u> |
| 2012-2013 Preschool Education Aid Carryover Budgeted in 2013-2014 | <u>\$ -</u> |

CAPITAL PROJECTS FUND

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Original Amount Authorized</u> | <u>Adjustments</u> | <u>Amended Authorization</u> | <u>Expenditures to Date</u> | | <u>Balance June 30, 2013</u> |
|---|---|---------------------|----------------------------------|-----------------------------|---------------------|----------------------------------|
| | | | | <u>Prior Years</u> | <u>Current Year</u> | |
| Port Authority of NY and NJ Projects: | | | | | | |
| Aircraft Noise Abatement - Lincoln School | \$ 17,449,305 | \$ 2,618,604 | \$ 20,067,909 | \$ 19,661,358 | | \$ 406,551 |
| Aircraft Noise Abatement - Kearny High School | 44,039,788 | | 44,039,788 | 7,983,025 | \$ 8,185,749 | 27,871,014 |
| Kearny High School - Facade Project | 6,083,708 | | 6,083,708 | 5,934,015 | 36,232 | 113,461 |
| Franklin School Annex and Board of Education Offices | 3,044,211 | | 3,044,211 | 1,284,604 | 47,366 | 1,712,241 |
| Alterations to Franklin Elementary School | <u>636,750</u> | <u>(549,250)</u> | <u>87,500</u> | <u>25,160</u> | <u>-</u> | <u>62,340</u> |
| | <u>\$ 71,253,762</u> | <u>\$ 2,069,354</u> | <u>\$ 73,323,116</u> | <u>\$ 34,888,162</u> | <u>\$ 8,269,347</u> | <u>\$ 30,165,607</u> |
| Unexpended Project Authorizations | | | | | | \$ 30,165,607 |
| Add: Reserve for Payment of Debt Service | | | | | | <u>12,215</u> |
| Fund Balance (Budgetary Basis) | | | | | | <u>\$ 30,177,822</u> |

Analysis of Restricted Fund Balance:

| | |
|------------------------------|---------------------|
| Year-End Encumbrances | \$ 3,907,531 |
| Reserve for Debt Service | 12,215 |
| Reserve for Capital Projects | <u>26,258,076</u> |
| Budgetary Basis | 30,177,822 |
| Deferred Revenue | <u>(28,627,511)</u> |
| GAAP Basis | <u>\$ 1,550,311</u> |

**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, 2013**

| | |
|--|--------------------------|
| Revenues and Other Financing Sources | |
| Premium on Note | \$ 7,200 |
| Interest on Investments | <u>6,402</u> |
| Total Revenues | <u>13,602</u> |
| Expenditures and Other Financing Uses | |
| Facilities Acquisition and Construction Services | 5,111,023 |
| Purchased Professional and Technical Services | 3,158,324 |
| Transfer to General Fund | 13,602 |
| Transfer to Debt Service Fund | <u>414,070</u> |
| Total Expenditures and Other Financing Uses | <u>8,697,019</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures Other Financing Sources (Uses) | (8,683,417) |
| Fund Balance, July 1, 2012 | <u>38,861,239</u> |
| Fund Balance, June 30, 2013 | <u>\$ 30,177,822</u> |
| Reconciliation to Governmental Funds Statements (GAAP Basis): | |
| Fund Balance (Budgetary Basis) | \$ 30,177,822 |
| Less: | |
| Deferred Revenue | <u>28,627,511</u> |
| Fund Balance Per Governmental Funds (GAAP Basis) | <u>\$ 1,550,311</u> |

**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, 2013**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|---------------------|-------------------|--|
| 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 |
| | <u>20,067,909</u> | <u>-</u> | <u>20,067,909</u> | <u>20,067,909</u> |
| Expenditures and Other Financing Uses | | | | |
| Facilities Acquisition and Construction Services | 18,540,664 | | 18,540,664 | 18,692,909 |
| Purchased Professional and Technical Services | 1,120,694 | - | 1,120,694 | 1,375,000 |
| | <u>19,661,358</u> | <u>-</u> | <u>19,661,358</u> | <u>20,067,909</u> |
| Excess of Revenue Over Expenditures | <u>\$ 406,551</u> | <u>\$ -</u> | <u>\$ 406,551</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|--------------------|
| Project Number | |
| FAA/Port Authority | EWR 99-04 & 113-07 |
| SDA | 2410-090-05-3000 |
| Grant Date | August 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 | 100.00% |
| Original Target Completion Date | August 31, 2010 |
| Revised Target Completion Date | September 30, 2011 |

**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, 2013**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|--------------------------|---------------------------|--------------------------|--|
| Revenues and Other Financing Sources | | | | |
| Federal Sources - FAA Grant | \$ 21,145,025 | | \$ 21,145,025 | \$ 21,145,025 |
| Local Sources - Port Authority of NY/NJ | 5,286,256 | | 5,286,256 | 5,286,256 |
| State Sources- SCC Grant | <u>17,608,507</u> | <u>-</u> | <u>17,608,507</u> | <u>17,608,507</u> |
| Total Revenues | <u>44,039,788</u> | <u>-</u> | <u>44,039,788</u> | <u>44,039,788</u> |
| Expenditures and Other Financing Uses | | | | |
| Facilities Acquisition and Construction Services | 5,184,259 | \$ 5,090,138 | 10,274,397 | 41,414,788 |
| Purchased Professional and Technical Services | <u>2,798,766</u> | <u>3,095,611</u> | <u>5,894,377</u> | <u>2,625,000</u> |
| Total Expenditures | <u>7,983,025</u> | <u>8,185,749</u> | <u>16,168,774</u> | <u>44,039,788</u> |
| Excess of Revenue Over Expenditures | <u>\$ 36,056,763</u> | <u>\$ (8,185,749)</u> | <u>\$ 27,871,014</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|-------------------|
| Project Number | N/A |
| FAA/Port Authority | EWR 84-02 & 99-04 |
| SDA | 2410-050-04-3000 |
| Grant Date | May 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 | 36.71% |
| Original Target Completion Date | October 31, 2013 |
| Revised Target Completion Date | September 1, 2016 |

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, 2013

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|---------------------|-------------------|--|
| Revenues and Other Financing Sources | | | | |
| State Sources - SCC Grant | \$ 2,433,708 | | \$ 2,433,708 | \$ 2,433,708 |
| Bond Proceeds and Transfers | <u>3,650,000</u> | <u>-</u> | <u>3,650,000</u> | <u>3,650,000</u> |
| Total Revenues | <u>6,083,708</u> | <u>-</u> | <u>6,083,708</u> | <u>6,083,708</u> |
| Expenditures and Other Financing Uses | | | | |
| Facilities Acquisition and Construction Services | 4,400,254 | | 4,400,254 | 4,549,947 |
| Purchased Professional and Technical Services | <u>1,533,761</u> | <u>\$ 36,232</u> | <u>1,569,993</u> | <u>1,533,761</u> |
| Total Expenditures | <u>5,934,015</u> | <u>36,232</u> | <u>5,970,247</u> | <u>6,083,708</u> |
| Excess of Revenue Over Expenditures | <u>\$ 149,693</u> | <u>\$ (36,232)</u> | <u>\$ 113,461</u> | <u>\$ -</u> |

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 | 98.14% |
| Original Target Completion Date | April 30, 2012 |
| Revised Target Completion Date | June 30, 2014 |

**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, 2013**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|---------------------|---------------------|--|
| 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 |
| | <u>3,044,211</u> | <u>-</u> | <u>3,044,211</u> | <u>3,044,211</u> |
| Expenditures and Other Financing Uses | | | | |
| Land Acquisition | 975,000 | | 975,000 | 975,000 |
| Facilities Acquisition and Construction Services | 58,194 | \$ 20,885 | 79,079 | 1,612,200 |
| Purchased Professional and Technical Services | 239,522 | 26,481 | 266,003 | 278,000 |
| Other Objects | 11,888 | - | 11,888 | 179,011 |
| | <u>1,284,604</u> | <u>47,366</u> | <u>1,331,970</u> | <u>3,044,211</u> |
| Excess of Revenue Over Expenditures | <u>\$ 1,759,607</u> | <u>\$ (47,366)</u> | <u>\$ 1,712,241</u> | <u>\$ -</u> |

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 | 43.75% |
| Original Target Completion Date | June 30, 2011 |
| Revised Target Completion Date | June 30, 2014 |

**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, 2013**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|------------------|--|
| 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 |
| | <u>87,500</u> | <u>-</u> | <u>87,500</u> | <u>87,500</u> |
| Expenditures and Other Financing Uses | | | | |
| Purchased Professional and Technical Services | 25,160 | | 25,160 | 60,000 |
| Supplies and Materials | - | - | - | 27,500 |
| | <u>25,160</u> | <u>-</u> | <u>25,160</u> | <u>87,500</u> |
| Excess of Revenue Over Expenditures | <u>\$ 62,340</u> | <u>\$ -</u> | <u>\$ 62,340</u> | <u>\$ -</u> |

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 Decrease Over Original Authorized Cost | -86.26% | (A) |
| Percentage Completion | 28.75% | |
| Original Target Completion Date | September 30, 2011 | |
| Revised Target Completion Date | August 31, 2014 | |

(A) Scope of project was reduced

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.

**KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 POSITION
 AS OF JUNE 30, 2013

| | <u>Student</u> <u>Activity</u> | <u>Agency</u> <u>Payroll</u> | <u>Total</u> |
|-------------------------------------|-----------------------------------|---------------------------------|-------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 318,601 | \$ 541,743 | \$ 860,344 |
| Total Assets | <u>\$ 318,601</u> | <u>\$ 541,743</u> | <u>\$ 860,344</u> |
| LIABILITIES | | | |
| Payroll Deductions and Withholdings | | \$ 540,622 | \$ 540,622 |
| Due to Other Funds | | 1,121 | 1,121 |
| Due to Student Groups | <u>\$ 318,601</u> | <u>-</u> | <u>318,601</u> |
| Total Liabilities | <u>\$ 318,601</u> | <u>\$ 541,743</u> | <u>\$ 860,344</u> |

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| <u>School</u> | <u>Balance July 1, 2012</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2013</u> |
|----------------------------|---------------------------------|--------------------------|-------------------------------|-----------------------------------|
| ELEMENTARY SCHOOLS | | | | |
| Schuyler School | \$ 7,118 | \$ 12,783 | \$ 14,283 | \$ 5,618 |
| Schuyler Student Council | 1,457 | 4,438 | 4,591 | 1,304 |
| Franklin School | 8,837 | 35,558 | 37,618 | 6,777 |
| Franklin Student Council | 5,597 | 11,512 | 10,027 | 7,082 |
| Garfield School | 8,183 | 26,627 | 27,097 | 7,713 |
| Lincoln School | 5,019 | 44,675 | 35,051 | 14,643 |
| Lincoln Student Council | 270 | 2,134 | 1,986 | 418 |
| Roosevelt School | 12,185 | 37,987 | 38,580 | 11,592 |
| Washington School | 1,577 | 1,683 | 1,299 | 1,961 |
| Washington Student Council | 1,152 | 9,598 | 6,859 | 3,891 |
| HIGH SCHOOL | 215,491 | 340,067 | 297,956 | 257,602 |
| ATHLETIC ACCOUNT | - | 66,013 | 66,013 | - |
| Total | <u>\$ 266,886</u> | <u>\$ 593,075</u> | <u>\$ 541,360</u> | <u>\$ 318,601</u> |

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | <u>Balance, July 1, 2012</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2013</u> |
|-------------------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 473,809 | \$ 58,208,172 | \$ 58,140,238 | \$ 541,743 |
| Total Assets | <u>\$ 473,809</u> | <u>\$ 58,208,172</u> | <u>\$ 58,140,238</u> | <u>\$ 541,743</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 1,121 | | | \$ 1,121 |
| Payroll Deductions and Withholdings | 472,688 | \$ 26,456,312 | \$ 26,388,378 | 540,622 |
| Accrued Salaries and Wages | - | 31,751,860 | 31,751,860 | - |
| Total Liabilities | <u>\$ 473,809</u> | <u>\$ 58,208,172</u> | <u>\$ 58,140,238</u> | <u>\$ 541,743</u> |

LONG-TERM DEBT

KEARNY BOARD OF EDUCATION
 LONG-TERM DEBT GROUP
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Issue | Date of Issue | Amount of Issue | Annual Maturities Date | Annual Maturities Amount | Interest Rate | Balance, July 1, 2012 | Issued | Retired | Balance, June 30, 2013 |
|--------------|---------------|-----------------|------------------------|--------------------------|---------------|-----------------------|--------------|---------------|------------------------|
| School Bonds | 2/15/05 | \$ 3,650,000 | 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% | \$ 2,810,000 | | \$ 165,000 | \$ 2,645,000 | |
| School Bonds | 7/15/07 | 12,725,000 | 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% | 10,400,000 | - | 925,000 | 9,475,000 |
| | | | | | \$ 13,210,000 | \$ - | \$ 1,090,000 | \$ 12,120,000 | |

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|------------|--------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 740,251 | | \$ 740,251 | \$ 740,251 | |
| Intergovernmental: | | | | | |
| State Aid- Type II Debt Service Aid | 456,918 | - | 456,918 | 456,918 | - |
| Total Revenues | 1,197,169 | - | 1,197,169 | 1,197,169 | - |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Principal | 1,090,000 | | 1,090,000 | 1,090,000 | |
| Interest | 521,239 | - | 521,239 | 521,239 | - |
| Total Expenditures | 1,611,239 | - | 1,611,239 | 1,611,239 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (414,070) | - | (414,070) | (414,070) | - |
| Other Financing Sources | | | | | |
| Transfers In | 414,070 | - | 414,070 | 414,070 | - |
| Total Other Financing Sources | 414,070 | - | 414,070 | 414,070 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources | - | - | - | - | - |
| Fund Balance, Beginning of Year | - | - | - | - | - |
| 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.

KEARNY BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(actual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|-----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 10,489,425 | \$ 12,108,265 | \$ 23,163,520 | \$ 23,432,663 | \$ 25,875,674 | \$ 37,617,030 | \$ 41,531,599 | \$ 41,472,141 | \$ 45,417,929 | \$ 51,589,542 |
| Restricted | 655,382 | 8,607,802 | 4,587,267 | 77,458 | 1,829,106 | 3,806,116 | 1,809,371 | 4,672,748 | 5,732,390 | 5,735,972 |
| Unrestricted | (17,064,648) | (23,920,156) | (19,508,797) | (13,407,427) | (12,834,896) | (11,398,905) | (12,222,825) | (13,157,518) | (12,149,242) | (9,139,337) |
| Total Governmental Activities Net Position | \$ (5,919,841) | \$ (3,204,089) | \$ 8,241,990 | \$ 10,102,694 | \$ 14,869,884 | \$ 30,024,241 | \$ 31,118,145 | \$ 32,987,371 | \$ 39,001,077 | \$ 48,186,177 |
| Business-Type Activities | | | | | | | | | | |
| Invested in Capital Assets | \$ 19,382 | \$ 16,533 | \$ 13,683 | \$ 23,754 | \$ 60,039 | \$ 68,646 | \$ 132,614 | \$ 138,942 | \$ 124,308 | \$ 110,288 |
| Unrestricted | 157,216 | 157,790 | 161,515 | 132,847 | 116,789 | 162,620 | 199,518 | 263,540 | 254,822 | 320,381 |
| Total Business-Type Activities Net Position | \$ 176,598 | \$ 174,323 | \$ 175,198 | \$ 156,601 | \$ 176,828 | \$ 231,266 | \$ 332,132 | \$ 402,482 | \$ 379,130 | \$ 430,669 |
| District-Wide | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 10,508,807 | \$ 12,124,798 | \$ 23,177,203 | \$ 23,456,417 | \$ 25,935,713 | \$ 37,685,676 | \$ 41,664,213 | \$ 41,611,083 | \$ 45,542,237 | \$ 51,699,830 |
| Restricted | 655,382 | 8,607,802 | 4,587,267 | 77,458 | 1,829,106 | 3,806,116 | 1,809,371 | 4,672,748 | 5,732,390 | 5,735,972 |
| Unrestricted | (16,907,432) | (23,762,366) | (19,347,282) | (13,274,580) | (12,718,107) | (11,236,285) | (12,023,307) | (12,893,978) | (11,894,420) | (8,818,956) |
| Total District Net Position | \$ (5,743,243) | \$ (3,029,766) | \$ 8,417,188 | \$ 10,259,295 | \$ 15,046,712 | \$ 30,255,507 | \$ 31,450,277 | \$ 33,389,853 | \$ 39,380,207 | \$ 48,616,846 |

**KEARNY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**
(Unaudited)
(accrual basis of accounting)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 34,239,876 | \$ 34,494,296 | \$ 35,263,689 | \$ 37,955,177 | \$ 41,119,163 | \$ 39,548,344 | \$ 41,381,868 | \$ 41,126,178 | \$ 42,713,090 | \$ 43,266,636 |
| Special Education | 7,163,531 | 7,246,625 | 7,765,815 | 8,434,724 | 8,811,849 | 9,015,324 | 10,695,914 | 11,313,129 | 10,843,661 | 11,478,294 |
| Other Instruction | 2,887,839 | 3,139,283 | 3,901,183 | 4,677,640 | 4,975,092 | 4,345,429 | 4,107,288 | 3,252,330 | 3,294,184 | 2,845,253 |
| School Sponsored Activities and Athletics | 975,330 | 1,021,819 | 1,166,583 | 1,449,664 | 1,590,926 | 1,215,318 | 1,300,510 | 1,281,841 | 1,250,104 | 1,261,789 |
| Support Services: | | | | | | | | | | |
| Tuition | | | | | | | | | | |
| Student & Instruction Related Services | 6,923,473 | 5,995,455 | 5,881,165 | 5,874,828 | 6,388,365 | 6,675,551 | 7,692,297 | 7,113,169 | 7,780,424 | 7,926,025 |
| General Administration | 1,428,860 | 1,983,921 | 1,908,105 | 2,043,622 | 2,185,860 | 2,258,577 | 2,271,974 | 2,423,076 | 2,779,422 | 2,439,406 |
| School Administrative Services | 3,718,782 | 3,889,837 | 4,123,625 | 4,361,767 | 4,525,087 | 4,354,414 | 4,632,528 | 6,238,956 | 6,316,539 | 6,376,930 |
| Plant Operations and Maintenance | 6,849,473 | 6,801,379 | 7,509,160 | 7,474,246 | 7,815,400 | 8,796,229 | 8,804,501 | 8,712,127 | 8,569,081 | 9,007,440 |
| Pupil Transportation | 1,171,507 | 1,125,356 | 1,143,659 | 1,113,094 | 1,286,523 | 1,361,355 | 1,404,217 | 1,315,732 | 1,373,763 | 1,480,516 |
| 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 | 1,631,181 | 1,657,053 |
| Special Schools | 71,939 | | | | | | | | | |
| Interest on Long-Term Debt | 174,555 | 337,586 | 338,106 | 415,682 | 834,689 | 530,336 | 560,215 | 702,608 | 704,128 | 628,207 |
| Total Governmental Activities Expenses | 66,517,020 | 67,139,864 | 70,336,622 | 75,070,556 | 80,619,745 | 79,304,991 | 84,046,768 | 84,687,410 | 87,255,577 | 88,367,549 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | 1,264,319 | 1,402,503 | 1,432,540 | 1,587,850 | 1,683,837 | 1,779,829 | 2,117,868 | 1,788,415 | 2,039,672 | 2,087,488 |
| Total Business-Type Activities Expense | 1,264,319 | 1,402,503 | 1,432,540 | 1,587,850 | 1,683,837 | 1,779,829 | 2,117,868 | 1,788,415 | 2,039,672 | 2,087,488 |
| Total District Expenses | \$ 67,781,339 | \$ 68,542,367 | \$ 71,769,162 | \$ 76,658,406 | \$ 82,303,582 | \$ 81,084,820 | \$ 86,164,636 | \$ 86,475,825 | \$ 89,295,249 | \$ 90,455,037 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Other Instruction/Special Schools | \$ 53,109 | \$ 57,617 | \$ 52,324 | \$ 58,000 | \$ 58,500 | \$ 51,000 | \$ 142,122 | \$ 60,439 | \$ 65,897 | \$ 65,134 |
| Operating Grants and Contributions | 13,434,617 | 14,462,001 | 15,140,430 | 17,209,657 | 18,696,110 | 13,634,556 | 19,210,879 | 14,474,765 | 15,540,976 | 16,080,166 |
| Capital Grants and Contributions | 663,578 | 1,568,771 | 9,758,329 | 111,655 | 3,837,724 | 12,131,626 | 2,558,285 | 1,227,985 | 5,925,681 | 8,239,865 |
| Total Governmental Activities Program Revenues | 14,151,304 | 16,088,389 | 24,951,083 | 17,379,312 | 22,592,334 | 25,817,182 | 21,911,286 | 15,763,189 | 21,532,554 | 24,385,165 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Food Service | 388,116 | 412,698 | 418,550 | 414,388 | 430,157 | 427,416 | 416,267 | 461,515 | 494,235 | 468,029 |
| Operating Grants and Contributions | 531,732 | 600,590 | 646,513 | 689,661 | 738,971 | 808,825 | 1,071,208 | 1,093,172 | 1,215,030 | 1,259,394 |
| Total Business Type Activities Program Revenues | 919,848 | 1,013,288 | 1,065,063 | 1,104,049 | 1,169,128 | 1,236,241 | 1,487,475 | 1,554,687 | 1,709,265 | 1,727,423 |
| Total District Program Revenues | \$ 15,071,152 | \$ 17,101,677 | \$ 26,016,146 | \$ 18,483,361 | \$ 23,761,462 | \$ 27,053,423 | \$ 23,398,761 | \$ 17,317,876 | \$ 23,241,819 | \$ 26,112,588 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (52,363,716) | \$ (51,051,475) | \$ (45,385,539) | \$ (57,691,244) | \$ (58,027,411) | \$ (53,487,809) | \$ (62,135,482) | \$ (68,924,221) | \$ (65,723,023) | \$ (63,982,384) |
| Business-Type Activities | (344,471) | (389,215) | (367,477) | (483,801) | (514,709) | (543,588) | (630,393) | (233,728) | (330,407) | (360,065) |
| Total District-Wide Net Expense | \$ (52,710,187) | \$ (51,440,690) | \$ (45,753,016) | \$ (58,175,045) | \$ (58,542,120) | \$ (54,031,397) | \$ (62,765,875) | \$ (69,157,949) | \$ (66,053,430) | \$ (64,342,449) |

**KEARNY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes Levied for General Purposes, Net | \$ 36,595,699 | \$ 39,022,191 | \$ 41,061,685 | \$ 41,855,063 | 43,537,336 | 43,537,336 | \$ 43,537,336 | \$ 45,278,829 | \$ 45,278,829 | \$ 45,595,029 |
| Property Taxes, Debt Service | 13,433,976 | 336,104 | 452,950 | 572,575 | 481,842 | 883,380 | 839,576 | 1,198,201 | 248,902 | 740,251 |
| Federal and State Aid - Unrestricted | 147,430 | 13,966,739 | 14,314,863 | 16,118,768 | 17,259,183 | 23,011,234 | 17,788,033 | 23,666,188 | 24,870,776 | 26,004,915 |
| State Aid- Restricted for Debt Service | | 152,545 | 150,914 | 144,384 | 102,727 | 385,172 | 398,351 | 482,078 | 469,498 | 456,918 |
| Premium on Grant Anticipation Note | | | 26,240 | | | | | | | |
| Donation of Capital Assets | | (25,933) | | | (52,394) | | | | (6,825) | 9,000 |
| Loss on Disposition of Assets | | 323,784 | 200,863 | 956,334 | 1,236,473 | 251,685 | 18,970 | 86,534 | 70,842 | 26,671 |
| Investment Earnings | 599,363 | 378,737 | 992,455 | 367,396 | 761,030 | 1,169,385 | 1,358,379 | 385,695 | 1,111,762 | 746,304 |
| Miscellaneous Income | (326,259) | (386,940) | (368,352) | (462,572) | (531,596) | (598,026) | (731,259) | (304,078) | (307,055) | (411,604) |
| Transfers | | | | | | | | | | |
| Total Governmental Activities | 50,450,209 | 53,767,227 | 56,831,618 | 59,551,948 | 62,794,601 | 68,642,166 | 63,229,386 | 70,793,447 | 71,736,729 | 73,167,484 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 326,259 | 386,940 | 368,352 | 2,632 | 3,340 | 598,026 | 731,259 | 304,078 | 307,055 | 411,604 |
| Transfers | | | | | | | | | | |
| Total Business-Type Activities | 326,259 | 386,940 | 368,352 | 2,632 | 3,340 | 598,026 | 731,259 | 304,078 | 307,055 | 411,604 |
| Total District-Wide | \$ 50,776,468 | \$ 54,154,167 | \$ 57,199,970 | \$ 60,017,152 | \$ 63,329,537 | \$ 69,240,192 | \$ 63,960,645 | \$ 71,097,525 | \$ 72,043,784 | \$ 73,579,088 |
| Change in Net Position | \$ (1,915,507) | \$ 2,715,752 | \$ 11,446,079 | \$ 1,860,704 | \$ 4,767,190 | \$ 15,154,357 | \$ 1,093,904 | \$ 1,869,226 | \$ 6,013,706 | \$ 9,185,100 |
| Governmental Activities | (18,212) | (2,275) | 875 | (18,597) | 20,227 | 54,438 | 100,866 | 70,350 | (23,352) | 51,539 |
| Business-Type Activities | | | | | | | | | | |
| Total District | \$ (1,933,719) | \$ 2,713,477 | \$ 11,446,954 | \$ 1,842,107 | \$ 4,787,417 | \$ 15,208,795 | \$ 1,194,770 | \$ 1,939,576 | \$ 5,990,354 | \$ 9,236,639 |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 655,382 | \$ 1,494,307 | \$ 3,556,144 | \$ 5,683,480 | \$ 7,709,563 | \$ 12,907,470 | \$ 7,355,662 | \$ 4,758,608 | \$ 8,034,102 | \$ 8,691,054 |
| Unreserved | 1,150,202 | 1,245,426 | 592,800 | 363,166 | 420,989 | (1,701,304) | (1,404,832) | 541,544 | 131,791 | 180,361 |
| Restricted | | | | | | | | 2,066,600 | 1,223,556 | 2,426,848 |
| Committed | | | | | | | | (1,293,550) | (1,470,132) | (1,684,780) |
| Assigned | | | | | | | | | | |
| Unassigned | | | | | | | | | | |
| Total General Fund | \$ 1,805,584 | \$ 2,739,733 | \$ 4,148,944 | \$ 6,048,646 | \$ 8,130,552 | \$ 11,206,166 | \$ 5,950,830 | \$ 6,073,202 | \$ 7,919,317 | \$ 9,613,483 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 3,000 | \$ 7,953,441 | \$ 1,734,341 | \$ 1,523,610 | \$ 21,149,173 | \$ 3,887,907 | \$ 7,104,783 | \$ 4,183,257 | \$ 2,007,465 | \$ 1,550,311 |
| Unreserved | (44,357) | 594,058 | 2,792,336 | 3,488,025 | (9,571,255) | 1,876,411 | (1,349,043) | | | |
| Restricted | | | | | | | | | | |
| Total All Other Governmental Funds | \$ (41,357) | \$ 8,547,499 | \$ 4,526,677 | \$ 5,011,635 | \$ 11,577,918 | \$ 5,764,318 | \$ 5,755,740 | \$ 4,183,257 | \$ 2,007,465 | \$ 1,550,311 |

Beginning with the 2010/11 Fiscal Year, 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.

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|--------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues | | | | | | | | | | |
| Property Tax Levy | \$ 36,595,699 | \$ 39,358,295 | \$ 41,514,635 | \$ 42,427,638 | \$ 44,019,178 | \$ 44,422,716 | \$ 44,396,912 | \$ 46,477,030 | \$ 45,527,731 | \$ 46,335,280 |
| Tuition Charges | | | | | | | | | | |
| Miscellaneous | 704,289 | 887,012 | 1,506,811 | 1,389,903 | 2,566,100 | 2,614,236 | 1,825,583 | 555,657 | 1,865,664 | 1,836,842 |
| State Sources | 25,112,141 | 27,036,509 | 35,330,794 | 31,233,233 | 34,632,895 | 38,183,673 | 29,710,039 | 33,396,441 | 39,136,676 | 42,912,761 |
| Federal Sources | 2,515,642 | 2,996,673 | 3,772,573 | 2,343,058 | 4,752,752 | 9,844,679 | 9,939,397 | 4,431,586 | 7,053,092 | 6,870,370 |
| Total Revenues | 64,927,771 | 70,268,489 | 82,124,813 | 77,393,832 | 85,970,925 | 95,065,304 | 85,871,931 | 86,860,714 | 93,583,163 | 97,955,253 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 31,992,554 | 32,944,780 | 34,150,379 | 36,124,138 | 39,375,784 | 37,748,212 | 39,656,866 | 38,493,481 | 39,842,839 | 40,812,892 |
| Special Education Instruction | 6,979,001 | 7,215,945 | 7,697,661 | 8,359,278 | 8,825,704 | 9,025,809 | 10,789,990 | 11,350,615 | 10,942,923 | 11,634,469 |
| Other Instruction | 2,751,726 | 3,111,806 | 3,782,451 | 4,601,148 | 4,988,725 | 4,333,943 | 4,175,519 | 3,274,259 | 3,353,977 | 2,914,201 |
| School Sponsored Activities and Athletics | 943,350 | 1,015,789 | 1,135,397 | 1,429,278 | 1,593,687 | 1,217,039 | 1,315,147 | 1,287,414 | 1,265,183 | 1,282,607 |
| Support Services: | | | | | | | | | | |
| Tuition | | | | | | | | | | |
| Student and Inst. Related Services | 6,588,204 | 5,946,057 | 5,785,720 | 5,849,555 | 6,396,500 | 6,685,513 | 7,783,452 | 7,132,255 | 7,877,266 | 8,060,790 |
| General Administration | 1,342,924 | 1,967,347 | 1,877,613 | 2,025,015 | 2,181,746 | 2,252,698 | 2,287,525 | 2,420,433 | 2,792,677 | 2,465,123 |
| School Administrative Services | 3,568,380 | 3,854,555 | 4,056,753 | 4,382,370 | 4,538,853 | 4,363,110 | 4,709,899 | 6,278,848 | 6,430,530 | 6,532,163 |
| Plant Operations and Maintenance | 6,563,383 | 6,756,382 | 7,339,283 | 7,398,782 | 7,828,585 | 8,804,436 | 8,901,577 | 8,744,355 | 8,663,650 | 9,151,095 |
| Pupil Transportation | 1,158,966 | 1,115,450 | 1,133,443 | 1,096,909 | 1,274,945 | 1,393,794 | 1,358,119 | 1,299,289 | 1,358,119 | 1,471,338 |
| 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 | 1,657,294 | 1,693,280 |
| Special Schools | 68,393 | | | | | | | | | |
| Capital Outlay | 2,519,530 | 3,614,830 | 10,546,643 | 630,523 | 9,997,926 | 18,348,184 | 6,648,971 | 4,719,037 | 7,690,441 | 8,551,056 |
| Debt Service: | | | | | | | | | | |
| Principal | 921,610 | 1,433,345 | 5,260,530 | 1,116,717 | 1,023,512 | 916,376 | 886,394 | 1,075,000 | 1,080,000 | 1,090,000 |
| Interest and Other Charges | 182,555 | 287,180 | 342,845 | 237,522 | 399,721 | 933,850 | 642,084 | 716,114 | 650,886 | 647,623 |
| Total Expenditures | 66,439,222 | 70,358,544 | 84,394,312 | 74,546,600 | 89,516,140 | 97,205,264 | 90,404,586 | 88,006,747 | 93,605,785 | 96,306,637 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (1,511,451) | (90,055) | (2,269,499) | 2,847,232 | (3,545,215) | (2,139,960) | (4,532,655) | (1,146,033) | (22,622) | 1,648,616 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Premium on Grant Anticipation Note | | | 26,240 | | | | | | | |
| Capital Leases (Non-Budgeted) | 524,433 | 10,000,000 | | | 12,725,000 | | | | | |
| Bond/Lease Proceeds | 66,273 | 456,130 | 720,875 | 1,016,858 | 387,150 | 853,881 | 2,742,349 | 343,504 | 1,445,496 | 916,198 |
| Transfers In | (392,532) | (843,070) | (1,089,227) | (1,479,430) | (918,746) | (1,451,907) | (3,473,608) | (647,582) | (1,752,551) | (1,327,802) |
| Transfers Out | | | | | | | | | | |
| Total Other Financing Sources (Uses) | 198,174 | 9,613,060 | (342,112) | (462,572) | 12,193,404 | (598,026) | (731,259) | (304,078) | (307,055) | (411,604) |
| Net Change in Fund Balances | \$(1,313,277) | \$ 9,523,005 | \$(2,611,611) | \$ 2,384,660 | \$ 8,648,189 | \$(2,737,986) | \$(5,263,914) | \$(1,450,111) | \$(329,677) | \$ 1,237,012 |
| Debt Service as a Percentage of Noncapital Expenditures | 1.73% | 2.58% | 7.59% | 1.83% | 1.79% | 2.35% | 1.82% | 2.15% | 2.01% | 1.98% |

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

| <u>Fiscal Year Ended June 30,</u> | <u>Interest Earned</u> | <u>Rentals</u> | <u>Adult School</u> | <u>Solar Energy Sales</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---|----------------------------|----------------|---------------------|-------------------------------|----------------------|--------------|
| 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 |
| 2012 | 44,780 | 56,237 | 65,897 | 629,376 | 391,849 | 1,188,139 |
| 2013 | 30,252 | 54,250 | 65,134 | 275,711 | 412,762 | 838,109 |

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 |
|----------------------------|---------------|----------------|---------------|----------------|---------------|----------------------|------------------|-----------------------|---|---|
| 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 | 240,476,300 | 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 | 4,103,333,676 | 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 |
| 2012 | 16,583,100 | 674,244,400 | 108,131,200 | 226,154,800 | 34,003,900 | 1,059,117,400 | 3,211,348 | 1,062,328,748 | 3,468,973,947 | 4.324 |
| 2013 | 15,293,100 | 674,617,500 | 108,221,800 | 225,847,400 | 33,924,600 | 1,057,904,400 | 3,070,234 | 1,060,974,634 | 3,277,405,251 | 4.394 |

Source: County Abstract of Rates

a - Tax rates are per \$100

KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Overlapping Rates

| <u>Calendar Year</u> | <u>School</u> | <u>Municipality</u> | <u>County</u> | <u>Total Direct and Overlapping Tax Rate</u> |
|--------------------------|---------------|---------------------|---------------|--|
| 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 |
| 2012 | 4.324 | 3.603 | 1.691 | 9.618 |
| 2013 | 4.394 | 3.733 | 1.664 | 9.791 |

Source: County Abstract of Ratables

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

| Taxpayer | 2013 | | 2004 | |
|---------------------------|------------------------------|--|------------------------------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| RTC Properties, Inc. | \$ 28,953,200 | 2.73% | \$ 54,943,700 | 5.21% |
| Windmere Associates | | | 19,000,000 | 1.80% |
| PSE&G | 21,851,300 | 2.06% | 16,900,700 | 1.60% |
| RTL Services | 18,644,400 | 1.76% | | |
| AMB Alliance Fund III | 11,000,000 | 1.04% | | |
| DVL Holdings | 9,272,300 | 0.87% | | |
| Sunset Cahuenga | 9,000,000 | 0.85% | 9,977,300 | 0.95% |
| The Four B's | | | 8,248,700 | 0.78% |
| Wal-Mart | 6,914,700 | 0.65% | | |
| Hurricane Associates, LLC | 6,617,400 | 0.62% | | |
| Orangewood Prop. LTD | 5,633,500 | 0.53% | 5,777,000 | 0.55% |
| Hartz Mountain Industries | | | 6,569,200 | 0.62% |
| Kearny Holding VF LLC | 5,339,000 | 0.50% | 6,465,800 | 0.61% |
| Jeryl Industries | | | 6,053,800 | 0.58% |
| Motor Carrier Services | - | - | 4,890,600 | 0.47% |
| | <u>\$ 123,225,800</u> | <u>11.61%</u> | <u>\$ 138,826,800</u> | <u>13.17%</u> |

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 | |
| 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 |
| 2012 | 45,527,731 | 45,527,731 | 100.00% | N/A |
| 2013 | 46,335,280 | 46,335,280 | 100.00% | N/A |

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

| Fiscal Year Ended June 30, | Governmental Activities | | | | | | | Total District | Population | Per Capita |
|----------------------------|--------------------------|-------------------------------|----------------|-------------------------|-------------------------------|----|------------|----------------|------------|------------|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Intergovernmental Loans | Bond/Grant Anticipation Notes | | | | | |
| 2005 | \$ 4,937,000 | \$6,292,424 | \$ 529,820 | \$ 84,287 | \$ 4,000,000 | \$ | 15,843,531 | 39,115 | \$ 405 | |
| 2006 | 4,537,000 | 1,780,998 | 201,788 | 63,215 | 8,100,000 | | 14,683,001 | 38,354 | 383 | |
| 2007 | 4,012,000 | 1,291,677 | 120,463 | 42,144 | 4,600,000 | | 10,066,284 | 37,494 | 268 | |
| 2008 | 16,322,000 | 786,971 | 37,729 | 21,072 | 4,000,000 | | 21,167,772 | 36,818 | 575 | |
| 2009 | 15,985,000 | 266,395 | - | - | 3,500,000 | | 19,751,395 | 36,607 | 540 | |
| 2010 | 15,365,000 | | | | | | 15,365,000 | 35,544 | 432 | |
| 2011 | 14,290,000 | | | | 10,000,000 | | 24,290,000 | 40,728 | 596 | |
| 2012 | 13,210,000 | | | | 10,000,000 | | 23,210,000 | 41,108 | 565 | |
| 2013 | 12,120,000 | | | | 7,500,000 | | 19,620,000 | 41,389 | 474 | |

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 the 2005/06 fiscal year only nine 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
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST NINE FISCAL YEARS
(Unaudited)**

| Fiscal Year Ended June 30, | General Bonded Debt Outstanding | | | Net General Bonded Debt Outstanding | Percentage of Actual Taxable Value of Property | Per Capita |
|----------------------------|---------------------------------|--------------------------|------------|-------------------------------------|--|------------|
| | General Obligation Bonds | Inter-governmental Loans | Deductions | | | |
| 2005 | \$ 4,937,000 | \$ 84,287 | | \$ 5,021,287 | 0.47% | \$ 128 |
| 2006 | 4,537,000 | 63,215 | | 4,600,215 | 0.43% | 120 |
| 2007 | 4,012,000 | 42,144 | | 4,054,144 | 0.38% | 108 |
| 2008 | 16,322,000 | 21,072 | | 16,343,072 | 1.53% | 444 |
| 2009 | 15,985,000 | - | | 15,985,000 | 1.49% | 437 |
| 2010 | 15,365,000 | - | | 15,365,000 | 1.44% | 432 |
| 2011 | 14,290,000 | - | | 14,290,000 | 1.34% | 351 |
| 2012 | 13,210,000 | - | | 13,210,000 | 1.24% | 321 |
| 2013 | 12,120,000 | - | | 12,120,000 | 1.14% | 293 |

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 the 2005/06 fiscal year only nine 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, 2012
(Unaudited)

| | <u>Gross Debt</u> | <u>Net Debt</u> |
|---|----------------------|---------------------------|
| Municipal Debt: (1) | | |
| Kearny Board of Education (as of June 30, 2013) | \$ 12,120,000 | \$ 12,120,000 |
| Town of Kearny | <u>69,771,335</u> | <u>69,771,335</u> |
| | <u>\$ 81,891,335</u> | <u>81,891,335</u> |
| Overlapping Debt Apportioned to the Municipality: | | |
| County of Hudson | | 29,949,408 |
| Passaic Valley Sewerage Commission | | 9,875,296 |
| North Jersey District Water Supply Commission | | 4,420,697 |
| Kearny Municipal Utilities Authority | | <u>16,937,495</u> |
| | | <u>61,182,896</u> |
| Total Direct and Overlapping Debt | | <u>\$ 143,074,231</u> |

Source:

Municipal and County Annual Debt Statements

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

| | Fiscal Year Ended June 30, | | | | | | | | |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Debt Limit | \$ 98,528,177 | \$ 112,138,572 | \$ 129,989,322 | \$ 129,989,322 | \$ 158,479,662 | \$ 160,013,566 | \$ 154,205,149 | \$ 145,427,054 | \$ 136,452,123 |
| 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 | 13,210,000 | 12,120,000 |
| Legal Debt Margin | \$ 93,506,891 | \$ 107,538,357 | \$ 113,209,527 | \$ 113,646,250 | \$ 142,494,662 | \$ 144,648,566 | \$ 139,915,149 | \$ 132,217,054 | \$ 124,332,123 |
| 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% | 9.08% | 8.88% |

Legal Debt Margin Calculation for Fiscal Year 2012

| | |
|---|--------------------------|
| Equalized Valuation Basis | |
| 2012 | \$ 3,202,653,160 |
| 2011 | 3,389,278,275 |
| 2010 | 3,641,977,755 |
| | <u>\$ 10,233,909,190</u> |
| Average Equalized Valuation of Taxable Property | \$ 3,411,303,063 |
| Debt Limit (4% of Average Equalization Value) | \$ 136,452,123 |
| Total Net Debt Applicable to Limit | 12,120,000 |
| Legal Debt Margin | <u>\$ 124,332,123</u> |

Note:
 GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in the 2005/06 fiscal year only nine 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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

| <u>Year</u> | <u>Population</u> | <u>County Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|--|------------------------------|
| 2004 | 39,602 | \$ 31,301 | 5.90% |
| 2005 | 39,115 | 32,527 | 5.20% |
| 2006 | 38,354 | 34,412 | 5.50% |
| 2007 | 37,494 | 36,976 | 5.10% |
| 2008 | 36,818 | 39,447 | 6.80% |
| 2009 | 36,607 | 42,884 | 12.00% |
| 2010 | 35,544 | 42,824 | 12.40% |
| 2011 | 40,728 | 44,926 | 11.30% |
| 2012 | 41,108 | 47,377 | 11.40% |
| 2013 | 41,389 | N/A | N/A |

Source: New Jersey State Department of Education

N/A - Not available

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

| <u>Employer</u> | <u>2013</u> | | <u>2003</u> | |
|-----------------|------------------|---|------------------|---|
| | <u>Employees</u> | <u>Percentage of Total Municipal Employment</u> | <u>Employees</u> | <u>Percentage of Total Municipal Employment</u> |

INFORMATION NOT AVAILABLE

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

| <u>Function/Program</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | |
| Regular | 287 | 290 | 306 | 329 | 408 | 398 | 411 | 393 |
| Special Education | 31 | 31 | 47 | 45 | 31 | 31 | 29 | 35 |
| Other Special Education | 42 | 42 | 42 | 52 | 36 | 36 | 38 | 37 |
| Vocational | 2 | 2 | 2 | 3 | 4 | 3 | 3 | 3 |
| Support Services: | | | | | | | | |
| Student and Instruction Related Services | 48 | 49 | 49 | 49 | 61 | 60 | 58 | 61 |
| General Administration | 9 | 11 | 11 | 11 | 14 | 15 | 15 | 15 |
| School Administrative Services | 38 | 38 | 46 | 38 | 19 | 23 | 24 | 23 |
| Central Services | 10 | 10 | 10 | 10 | 8 | 9 | 9 | 9 |
| Administrative Information Technology | 1 | 1 | 1 | 4 | 4 | 4 | 4 | 7 |
| Plant Operations and Maintenance | 66 | 67 | 67 | 66 | 72 | 72 | 72 | 68 |
| Pupil Transportation | 4 | 4 | 4 | 4 | 9 | 12 | 12 | 12 |
| Special Schools | 72 | 72 | 72 | 72 | 40 | 40 | 37 | 37 |
| Total | <u>610</u> | <u>617</u> | <u>657</u> | <u>683</u> | <u>705</u> | <u>703</u> | <u>712</u> | <u>700</u> |

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 the 2005/06 fiscal year only eight 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
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

| Fiscal Year | Pupil/Teacher Ratio | | | | | | | | | | | |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|----------------|------------|---------------|--------------------|--------------------------|--------------------------|--------------------------------------|-------------------------------|
| | Enrollment ^a | Operating Expenditures ^b | Cost Per Pupil ^c | Percentage Change | Teaching Staff | Elementary | Middle School | Senior High School | Average Daily Enrollment | Average Daily Attendance | % Change in Average Daily Enrollment | Student Attendance Percentage |
| 2004 | 5,393 | \$ 64,377,609 | \$ 11,937 | 2.37% | 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 | 0:11.5 | 0:11.9 | 0:11.2 | 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% |
| 2012 | 5,894 | 84,184,458 | 14,283 | 2.18% | N/A | 1:15 | 1:22 | 1:12 | 5,887 | 5,594 | 8.66% | 95.02% |
| 2013 | 5,979 | 86,017,958 | 14,387 | 0.73% | N/A | 1:15 | 1:22 | 1:13 | 6,018 | 5,785 | 2.23% | 96.13% |

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.

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u> | | | | | | | | |
| <u>Elementary</u> | | | | | | | | |
| <u>Franklin</u> | | | | | | | | |
| Square Feet | 108,820 | 108,820 | 108,820 | 108,820 | 108,820 | 108,820 | 108,820 | 114,854 |
| Capacity (students) | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 |
| Enrollment | 928 | 953 | 947 | 1,012 | 1,027 | 1,029 | 1,056 | 1,095 |
| <u>Garfield</u> | | | | | | | | |
| Square Feet | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 |
| Capacity (students) | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 |
| Enrollment | 520 | 527 | 586 | 594 | 591 | 604 | 661 | 666 |
| <u>Lincoln</u> | | | | | | | | |
| Square Feet | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 |
| Capacity (students) | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 |
| Enrollment | 723 | 674 | 698 | 748 | 748 | 749 | 794 | 825 |
| <u>Roosevelt</u> | | | | | | | | |
| Square Feet | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 |
| Capacity (students) | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 |
| Enrollment | 468 | 472 | 455 | 463 | 463 | 461 | 462 | 455 |
| <u>Schuyler</u> | | | | | | | | |
| Square Feet | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 |
| Capacity (students) | 514 | 514 | 514 | 514 | 514 | 514 | 514 | 514 |
| Enrollment | 452 | 458 | 482 | 486 | 484 | 534 | 518 | 518 |
| <u>Washington</u> | | | | | | | | |
| Square Feet | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 |
| Capacity (students) | 671 | 671 | 671 | 671 | 671 | 671 | 671 | 671 |
| Enrollment | 587 | 622 | 650 | 666 | 657 | 659 | 683 | 689 |
| <u>High School</u> | | | | | | | | |
| Square Feet | 163,760 | 163,760 | 163,760 | 163,760 | 163,760 | 163,760 | 163,760 | 276,400 |
| Capacity (students) | 1,569 | 1,569 | 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 | 1,720 | 1,731 |

Number of Schools at June 30, 2013

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 the 2005/06 fiscal year 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.

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| School Facilities | | | | | | | | | | |
| Kearny High School | \$ 738,780 | \$ 630,200 | \$ 708,107 | \$ 609,717 | \$ 737,928 | \$ 512,894 | \$ 749,779 | \$ 694,882 | \$ 630,522 | \$ 678,456 |
| Franklin School | 279,934 | 331,995 | 323,532 | 326,394 | 310,442 | 448,429 | 376,160 | 348,619 | 316,330 | 340,377 |
| Garfield School | 162,308 | 192,495 | 187,201 | 189,462 | 180,213 | 259,983 | 218,096 | 202,128 | 183,407 | 197,349 |
| Lincoln School | 227,687 | 270,030 | 266,557 | 264,666 | 251,716 | 364,702 | 306,172 | 283,756 | 257,475 | 277,047 |
| Roosevelt School | 111,605 | 132,362 | 128,192 | 129,374 | 123,056 | 178,767 | 149,449 | 138,507 | 125,679 | 135,233 |
| Schuyler School | 141,177 | 167,445 | 164,818 | 164,016 | 156,006 | 226,158 | 189,662 | 175,776 | 159,496 | 171,620 |
| Washington School | 221,797 | 263,053 | 256,385 | 258,747 | 246,112 | 355,279 | 298,065 | 276,242 | 250,657 | 269,711 |
| Total School Facilities | \$ 1,883,288 | \$ 1,987,580 | \$ 2,034,792 | \$ 1,942,376 | \$ 2,005,473 | \$ 2,346,212 | \$ 2,287,383 | \$ 2,119,910 | \$ 1,923,566 | \$ 2,069,793 |

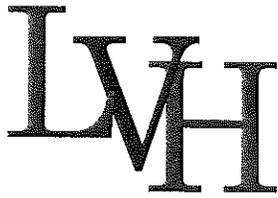
Source: District Records

KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2013
(Unaudited)

| | <u>Coverage</u> | <u>Deductible</u> |
|--|-----------------|-------------------|
| 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 EXHIBIT K-1
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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 prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kearny Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

We also noted certain matters that we reported to management of the Kearny Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 17, 2013.

Kearny Board of Education's Responses to Findings

The Kearny Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Kearny Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

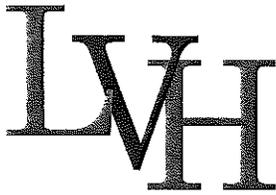
Purpose of this Report

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


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


 Gary J. Vinci
 Public School Accountant
 PSA Number CS00829

Fair Lawn, New Jersey
 October 17, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY U.S. OMB CIRCULAR A-133 AND
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY 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

Report on Compliance for Each Major Federal and State Program

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, 2013. The 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Kearny Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. 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 the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Kearny Board of Education's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Kearny Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Kearny Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Kearny Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. 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 Kearny Board of Education's internal control over compliance.

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

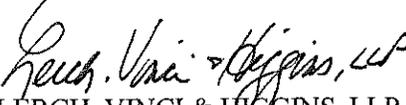
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

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, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 17, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S.

OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 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 schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 17, 2013

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Federal CFDA Number | Grant Period | Award Amount | Balance July 1, 2012 | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustment | Prior Year Adjustment | Refund of Prior Year Balances | (Account Receivable) | June 30, 2013 Deferred Revenue | Due to Grantor |
|--|-----------------|-----------------|-------------------------|---------------------|------------------|---------------------------|-------------|--------------------------|-------------------------------------|-------------------------|--------------------------------------|-------------------|
| U.S. Department of Education Passed-through State Department of Education | | | | | | | | | | | | |
| 93.778 | 7/1/11-6/30/12 | \$ 184,803 | \$ (51,676) | | \$ 51,676 | | | | | | | |
| 93.778.1 | 7/1/12-6/30/13 | 72,079 | | | 72,079 | | | | | | | |
| 84.410A | 7/1/11-9/30/12 | 1,052,601 | | | 2,621 | | | | | (2,621) | | |
| Total General Fund | | | | | | | | | | | | |
| | | | (51,676) | | 123,755 | 74,700 | | | | (2,621) | | |
| U.S. Department of Education Passed-through State Department of Education | | | | | | | | | | | | |
| 10.555 | 7/1/11-6/30/12 | 111,237 | 66 | | | 66 | | | | | | |
| 10.555 | 7/1/11-6/30/13 | 121,578 | | | 121,578 | 120,694 | | | | | \$ 884 | |
| 10.555 | 7/1/11-6/30/12 | 1,007,928 | (72,566) | | 72,566 | | | | | | | |
| 10.555 | 7/1/12-6/30/13 | 1,042,091 | | | 976,924 | 1,042,091 | | | | (65,167) | | |
| 10.553 | 7/1/11-6/30/12 | 68,111 | (6,124) | | 6,124 | | | | | | | |
| 10.553 | 7/1/12-6/30/13 | 69,133 | | | 63,139 | 69,133 | | | | (5,994) | | |
| 10.582 | 7/1/12-6/30/13 | 849 | | | 849 | | | | | | | |
| Total U.S. Department of Agriculture - Enterprise Fund | | | | | | | | | | | | |
| | | | (78,624) | | 1,241,180 | 1,232,833 | | | | (71,161) | | 884 |
| U.S. Department of Education Passed-through State Department of Education | | | | | | | | | | | | |
| 84.010A | 9/1/12-8/31/13 | 1,297,143 | | \$ 10,793 | 412,426 | 1,186,967 | \$ (10,793) | | | (895,510) | 120,969 | |
| 84.010A | 9/1/11-8/31/12 | 1,348,476 | (362,296) | (10,793) | 481,021 | 118,725 | 10,793 | | | | | |
| 84.027 | 9/1/12-8/31/13 | 1,220,066 | | 1,150 | 1,106,798 | 1,203,424 | (1,150) | | | (114,418) | 17,792 | |
| 84.027 | 9/1/11-8/31/12 | 1,233,400 | (192,491) | (1,150) | 211,552 | 19,061 | 1,150 | | | | | |
| 84.173 | 9/1/10-8/31/11 | 1,274,990 | 275 | | | | | | | | | \$ 275 |
| 84.367A | 9/1/12-8/31/13 | 134,200 | | 2,718 | 27,608 | 27,608 | (2,718) | | | (62,607) | 1,009 | |
| 84.367A | 9/1/11-8/31/12 | 157,111 | (28,857) | (2,718) | 74,311 | 135,909 | 2,718 | \$ 139 | | | | |
| 84.365A | 9/1/12-8/31/13 | 60,835 | | 762 | 41,168 | 12,311 | (762) | | | (36,096) | 33,397 | 139 |
| 84.365A | 9/1/11-8/31/12 | 71,958 | (11,617) | (762) | 25,501 | 28,200 | 762 | | | | 2,993 | |
| 84.365A | 9/1/12-8/31/13 | 76,896 | | | 45,717 | 31,107 | | | | (65,984) | 65,194 | |
| 84.365A | 9/1/11-8/31/12 | 62,820 | (25,455) | | 10,912 | 11,702 | | | | | | |
| 84.048A | 7/1/12-6/30/13 | 56,316 | | | 60,636 | 35,181 | | | | | | |
| 84.048A | 7/1/10-6/30/11 | 60,981 | 600 | | 49,554 | 56,316 | | | | (6,762) | | 600 |
| Total U.S. Department of Education - Special Revenue Fund | | | | | | | | | | | | |
| | | | (619,841) | | 2,547,204 | 2,866,511 | | 139 | | (1,181,377) | 241,354 | 1,014 |
| U.S. Department of Transportation Airport Improvement Program | | | | | | | | | | | | |
| 20.106 | Not Available | 21,145,025 | (2,812,909) | | 3,492,898 | 3,929,159 | | | | (16,632,817) | 13,383,647 | |
| Total Capital Projects Fund | | | | | | | | | | | | |
| | | | (2,812,909) | | 3,492,898 | 3,929,159 | | | | (16,632,817) | 13,383,647 | |
| Total Federal Awards | | | | | | | | | | | | |
| | | \$ (3,563,050) | \$ - | \$ 7,405,037 | \$ 8,103,203 | \$ 13,625,885 | \$ - | \$ 139 | \$ - | \$ (17,887,976) | \$ 13,625,885 | \$ 1,014 |

a - Cancelled payables

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| State Grant/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2012 | | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustment | Refund of Prior Years' Balances | (Accounts Receivable) | June 30, 2013 Deferred Revenue/ Interfund Payable | Due to Grantor | MEMO | |
|--------------------------------------|-------------------------------|----------------|--------------|---------------------------------|----------------|------------------|---------------|------------------------|------------|---------------------------------|-----------------------|---|----------------|-----------------|-------------------------------|
| | | | | Deferred Revenue/ (Accts. Res.) | Due to Grantor | | | | | | | | | GAAP Receivable | Cumulative Total Expenditures |
| State Department of Education | | | | | | | | | | | | | | | |
| Special Education Aid | 13-495-034-5120-089 | 7/1/12-6/30/13 | \$ 3,487,552 | \$ - | \$ - | \$ 3,140,734 | \$ 3,487,552 | | | | \$ (346,818) | | | \$ | \$ 3,487,552 |
| Special Education Aid | 13-495-034-5120-089 | 7/1/11-6/30/12 | 3,265,382 | \$ (317,648) | | 317,648 | | | | | | | | | 26,171,739 |
| Equalization Aid | 13-495-034-5120-078 | 7/1/12-6/30/13 | 26,171,739 | | | 23,569,102 | 26,171,739 | | | | (2,602,637) | | | | - |
| Equalization Aid | 13-495-034-5120-078 | 7/1/11-6/30/12 | 25,041,405 | (2,435,813) | | 2,435,813 | | | | | | | | | 52,957 |
| Transportation Aid | 13-495-034-5120-014 | 7/1/12-6/30/13 | 52,957 | | | 47,691 | 52,957 | | | | (5,266) | | | | 306,118 |
| Transportation Aid | 13-495-034-5120-014 | 7/1/11-6/30/12 | 306,118 | | | 275,676 | 306,118 | | | | (30,442) | | | | 200,580 |
| Security Aid | 13-100-034-5120-084 | 7/1/12-6/30/13 | 200,580 | | | 434,239 | 200,580 | | | | (603,726) | | | | - |
| Security Aid | 13-100-034-5120-084 | 7/1/11-6/30/12 | 434,239 | (434,239) | | 2,210,661 | 2,814,587 | | | | | | | | 2,814,587 |
| Extraordinary Aid | 12-100-034-5120-473 | 7/1/12-6/30/13 | 2,814,587 | | | 822,678 | | | | | | | | | 125,748 |
| Extraordinary Aid | 12-100-034-5120-473 | 7/1/11-6/30/12 | 2,711,883 | (822,678) | | 2,390,033 | | | | | | | | | 2,390,033 |
| TPAF Social Security Aid | 13-495-034-5095-002 | 7/1/12-6/30/13 | 2,390,033 | | | 2,844,714 | 2,390,033 | | | | | | | | - |
| TPAF Social Security Aid | 13-495-034-5095-002 | 7/1/11-6/30/12 | 2,844,714 | | | - | 2,844,714 | | | | | | | | 2,844,714 |
| On Behalf TPAF NCGI Premium | 13-495-034-5095-007 | 7/1/12-6/30/13 | | | | | | | | | | | | | - |
| On Behalf TPAF Pension Contrib. | 13-495-034-5095-007 | 7/1/12-6/30/13 | | | | | | | | | | | | | - |
| On Behalf TPAF Post Retirement | 13-495-034-5095-006 | 7/1/12-6/30/13 | | | | | | | | | | | | | - |
| On Behalf TPAF Post Retirement | 13-495-034-5095-006 | 7/1/11-6/30/12 | 2,844,714 | | | - | 2,844,714 | | | | | | | | - |
| Medical Benefit Contribution | 13-495-034-5095-001 | 7/1/12-6/30/13 | 2,844,714 | | | | | | | | | | | | - |
| Medical Benefit Contribution | 13-495-034-5095-001 | 7/1/11-6/30/12 | | | | | | | | | | | | | - |
| Total General Fund | | | | | | | | | | | | | | | |
| | | | | (4,010,378) | | 38,614,937 | 38,394,028 | | | | (3,789,469) | | | | 38,394,028 |
| Early Childhood Program Aid | 07-495-034-5120-025 | 7/1/06-6/30/07 | 2,511,213 | 1,649,838 | | \$ 84,117 | 420,785 | \$ 488,526 | | \$ 685 | | \$ 1,649,838 | | | 873,824 |
| Preschool Education Aid | 13-495-034-5120-086 | 7/1/12-6/30/13 | 467,539 | | | | | | | | (46,754) | | | | - |
| Preschool Education Aid | 12-495-034-5120-086 | 7/1/11-6/30/12 | 416,857 | 42,431 | | 41,686 | | | | | | | | | 6,869 |
| New Jersey Nonpublic Aid | 13-100-034-5120-064 | 7/1/12-6/30/13 | 6,869 | | | 6,869 | 6,869 | | | | | | | | - |
| New Jersey Nonpublic Aid | 12-100-034-5120-064 | 7/1/11-6/30/12 | 14,761 | \$ | | | | | \$ 685 | | | | | | - |
| Auxiliary Services | 13-100-034-5120-067 | 7/1/12-6/30/13 | 146,314 | | | 146,314 | 27,925 | | | 28,910 | | | \$ 118,389 | | 27,925 |
| Auxiliary Services | 12-100-034-5120-067 | 7/1/11-6/30/12 | 139,902 | | | | | | | | | | | | 1,705 |
| Compensatory Education | 13-100-034-5120-067 | 7/1/12-6/30/13 | 33,251 | | | 33,251 | 1,705 | | | 4,655 | | | | | - |
| Compensatory Education | 12-100-034-5120-067 | 7/1/11-6/30/12 | 32,758 | (2,833) | | 2,833 | | | | | | | | | - |
| Home Instruction | 13-100-034-5120-067 | 7/1/12-6/30/13 | 224,071 | | | 224,071 | 13,725 | | | 210,346 | | | | | 13,725 |
| Home Instruction | 12-100-034-5120-066 | 7/1/11-6/30/12 | 327,123 | | | 20,311 | 5,781 | | 248,305 | | | | | | 5,781 |
| Examination and Classification | 13-100-034-5120-066 | 7/1/12-6/30/13 | 20,311 | | | 24,284 | 7,771 | | 7,583 | | | | | | 7,771 |
| Examination and Classification | 12-100-034-5120-066 | 7/1/11-6/30/12 | 22,116 | | | 9,534 | 9,528 | | 4,420 | | | | | | 9,528 |
| Corrective Speech | 13-100-034-5120-066 | 7/1/12-6/30/13 | 25,606 | | | 2,535 | 2,535 | | 10 | | | | | | - |
| Corrective Speech | 12-100-034-5120-066 | 7/1/11-6/30/12 | 21,086 | | | | | | | | | | | | 2,535 |
| Supplementary | 13-100-034-5120-070 | 7/1/12-6/30/13 | 21,086 | | | | | | | | | | | | - |
| Supplementary | 12-100-034-5120-070 | 7/1/11-6/30/12 | 2,535 | | | | | | | | | | | | 2,535 |
| Nursing | 13-100-034-5120-070 | 7/1/12-6/30/13 | 282,387 | | | 282,387 | 276,037 | | | | | 6,350 | | | 276,037 |
| Nursing | 12-100-034-5120-070 | 7/1/11-6/30/12 | 309,502 | (2,538) | | | | | | | (2,538) | | | | - |
| Technology | 13-100-034-5120-375 | 7/1/12-6/30/13 | 277,387 | | | | | | | | | 27,839 | | | - |
| Technology | 12-100-034-5120-375 | 7/1/11-6/30/12 | 277,387 | 27,839 | | | | | | | | | | | - |
| Department of Human Services | | | | | | | | | | | | | | | |
| School Based Youth Services | SB08020 | 7/1/12-6/30/13 | 282,387 | | | 282,387 | 276,037 | | | | | 6,350 | | | 276,037 |
| School Based Youth Services | not available | 7/1/06-6/30/07 | 309,502 | (2,538) | | | | | | | (2,538) | | | | - |
| School Based Youth Services | SB08020 | 7/1/09-6/30/10 | 277,387 | 27,839 | | | | | | | | 27,839 | | | - |
| Total Special Revenue Fund | | | | | | | | | | | | | | | |
| | | | | 1,734,737 | | 294,568 | 1,214,860 | 488,526 | | 294,568 | (49,292) | 1,870,385 | | | 1,225,700 |
| Total | | | | | | | | | | | | | | | |
| | | | | (4,010,378) | | 38,614,937 | 38,394,028 | | | | (3,789,469) | | | | 38,394,028 |

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2012 | | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustment | Refund of Prior Years' Balances | (Accounts Receivable) | June 30, 2013 | | MEMO Cumulative Total Expenditures |
|--|-------------------------------|----------------|--------------|--------------------------------|----------------|------------------|----------------------|------------------------|------------|---------------------------------|------------------------|-------------------------------------|-------------------|------------------------------------|
| | | | | Deferred Revenue/ (Accr. Rec.) | Due to Grantor | | | | | | | Deferred Revenue/ Interfund Payable | Due to Grantor | |
| New Jersey Economic Development Authority | | | | | | | | | | | | | | |
| Facilities Grant Program | 2410-050-05-1400 | N/A | \$ 2,433,708 | \$ (1,387,986) | - | - | \$ 973,473 | \$ 14,493 | - | - | \$ (474,603) | \$ 45,597 | \$ 2,388,111 | |
| KHS - Façade | 2410-050-04-5900 | N/A | 17,606,507 | (3,104,712) | - | - | 3,274,500 | 26,071 | - | - | (17,520,464) | 11,141,452 | 6,467,055 | |
| Franklin School and BOE Offices | 2410-X02-09-1002 | N/A | 873,582 | (170,087) | - | - | - | - | - | - | (873,582) | 677,474 | 196,099 | |
| Franklin School Alterations | 2410-070-09-2001 | N/A | 47,250 | (13,822) | - | - | - | - | - | - | (47,250) | 33,428 | 13,822 | |
| Total Capital Projects Fund | | | | (4,676,607) | | | 973,473 | 3,314,814 | | | (18,915,899) | 11,897,951 | 9,065,087 | |
| Debt Service Aid | 13-495-034-5125-017 | 7/1/12-6/30/13 | 456,918 | - | - | - | 456,918 | 456,918 | - | - | - | - | 456,918 | |
| Total Debt Service Fund | | | | | | | 456,918 | 456,918 | | | | | 456,918 | |
| State Department of Agriculture | | | | | | | | | | | | | | |
| State School Lunch Program | 12-100-010-3360-067 | 7/1/11-6/30/12 | 25,568 | (1,806) | - | - | 1,806 | 26,561 | - | - | (3,158) | - | 26,561 | |
| State School Lunch Program | 13-100-010-3350-067 | 7/1/12-6/30/13 | 26,561 | - | - | - | 23,403 | - | - | - | - | - | - | |
| Total Enterprise Fund | | | | (1,806) | | | 25,209 | 26,561 | | | (3,158) | | 26,561 | |
| Total State Awards | | | | \$ (6,954,054) | | | \$ 41,285,397 | 43,418,021 | | | \$ (22,757,818) | \$ 13,768,336 | \$ 391,330 | |

Less: State Aid Not Subject to Single Audit:
 On-Behalf TPAF NCGI Premium (125,748)
 On-Behalf TPAF Pension Contribution (2,390,033)
 On-Behalf TPAF Post-Retirement Medical (2,844,714)

Total State Financial Assistance Subject to Single Audit \$ 38,057,526

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 prepared and 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. The information in these schedules is presented in accordance with requirements of U.S. 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". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the 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 (RSD) 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 is an increase of \$1,957 for the general fund and an increase of \$8,143 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:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------------|---------------------|----------------------|----------------------|
| General Fund | \$ 74,700 | \$ 38,395,985 | \$ 38,470,685 |
| Special Revenue Fund | 2,866,511 | 745,045 | 3,611,556 |
| Capital Projects Fund | 3,929,159 | 3,314,813 | 7,243,972 |
| Debt Service Fund | | 456,918 | 456,918 |
| Food Service Fund | <u>1,232,833</u> | <u>26,561</u> | <u>1,259,394</u> |
| Total Financial Assistance | <u>\$ 8,103,203</u> | <u>\$ 42,939,322</u> | <u>\$ 51,042,525</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 \$2,814,587 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013. The amount reported as TPAF Pension System Contributions in the amount of \$2,515,781 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,844,714 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2013.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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? _____ yes X none reported

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

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

Identification of major programs:

| <u>State Grant/Project Number(s)</u> | <u>Name of State Program</u> |
|--------------------------------------|--------------------------------------|
| <u>495-034-5120-078</u> | <u>Equalization Aid</u> |
| <u>495-034-5120-089</u> | <u>Special Education Aid</u> |
| <u>495-034-5120-084</u> | <u>Security Aid</u> |
| <u>2410-050-05-1400</u> | <u>Schools Development Authority</u> |
| <u>2410-050-04-3000</u> | <u>Schools Development Authority</u> |
| <u>495-034-5095-002</u> | <u>TPAF Social Security</u> |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Dollar threshold used to determine Type A programs: \$ 1,141,726

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, 2013**

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 2013-001:

Our audit noted that the Board, in April 2013, awarded capital projects contracts of \$1,384,550, however these commitments were not encumbered in the District's June 30, 2013 financial reports.

Criteria or specific requirement:

State Department of Education GAAP Technical Systems Manual.

Condition:

Liabilities of the District were understated at year end.

Context:

\$1,384,550 of outstanding commitments were not recorded as a Capital Projects Fund encumbrance.

Effect:

Reserved for encumbrances balances were not accurately reported in the District's year end financial reports.

Cause:

Unknown.

Recommendation:

Year end procedures be reviewed to ensure that all outstanding liabilities are accurately recorded in the District's financial statements.

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, 2013

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 FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2012-1:

Our audit of the capital asset records revealed the following:

- Prior year unrecorded capital assets of \$671,703 were not added to the district's capital asset report.
- The cost of assets which were disposed of during the year, remained in the district's capital asset ledger, however, accumulated depreciation was removed.
- There were unrecorded building improvements of \$25,398.
- Additions to Construction in Progress were not in agreement with audited figures.

Current Status

Corrective action has been taken.

Finding 2012-2:

The original budget for certain School Sponsored Athletics and Undistributed Expenditures -- Instruction (Tuition) line items was not in agreement with the approved state budget document. The district's CAFR was adjusted to properly reflect the original budget, therefore, causing the overexpenditure of five line items. The budget for the overall function agreed with the state document and the function was not overexpended.

Current Status

Corrective action has been taken.