

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

**Kinnelon Borough School District
Kinnelon, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

**Comprehensive Annual
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

**Kinnelon Borough School District
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



KINNETON PUBLIC SCHOOLS

109 KIEL AVENUE • KINNETON, NEW JERSEY 07405

TEL: (973) 838-1418 • FAX: (973) 838-5527

Website: www.kinnetonpublicschools.org

Jim Minkewicz
Business Administrator
Board Secretary

September 12, 2014

Honorable President and
Members of the Board of Education
109 Kiel Avenue
Kinneton, New Jersey 07405

Dear Board Members:

The comprehensive annual financial report of the Kinneton Board of Education (the "District") for the fiscal year ended June 30, 2014, 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 Kinneton Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Kinneton School District is an independent reporting entity within the criteria adopted by the GASB as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial

Reporting Standards. All funds of the District are included in this report. The Kinnelon 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 Kindergarten through Grade 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2013/2014 fiscal year with an enrollment of 2,081 students.

2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 4.7%. This is approximately 1.6% lower than the national average. Future home development is limited due to the implementation of the Highlands Act.

3) MAJOR INITIATIVES: Over the past five years, student enrollment in the Kinnelon Public Schools has diminished slightly. Our student population was anticipated and addressed through the passage of two referendums (in 2001 and 2006) to provide the needed classroom space at Stonybrook School, Pearl R. Miller Middle School and Kinnelon High School. The additions/renovations to Stonybrook and Pearl R. Miller were completed in 2004 while the Kinnelon High School Project was completed in September 2008. There are no plans for future building expansion.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The internal control system 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 system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District management.

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 Board of Education. 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2014.

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 Financial Statements", Note 1.

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

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

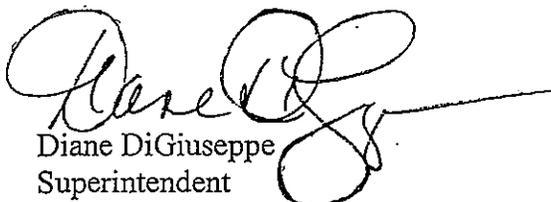
9) OTHER INFORMATION:

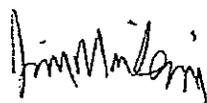
A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circular 04-04. 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 reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

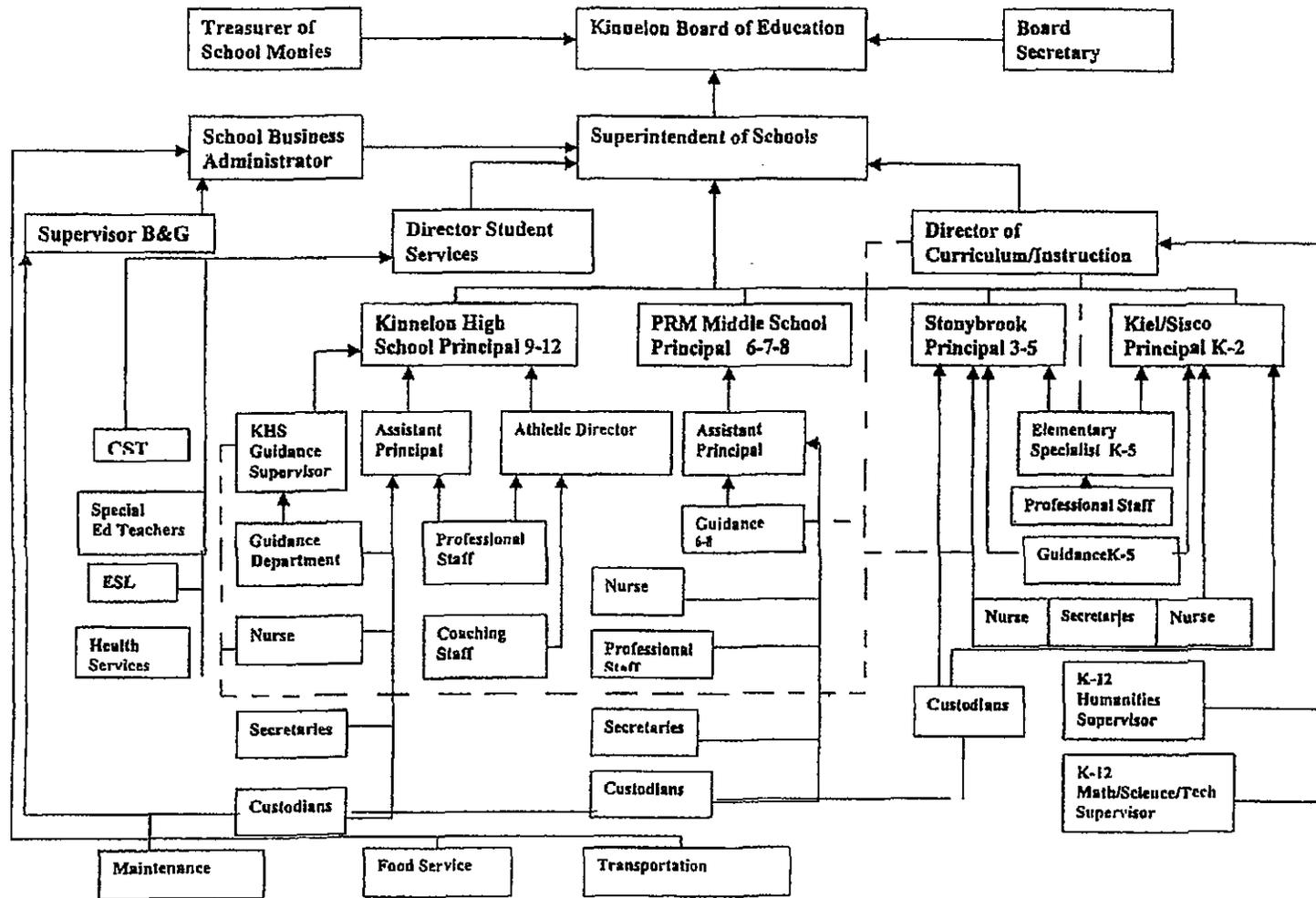
We would like to express our appreciation to the members of the Kinnelon School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The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

Respectfully submitted,


Diane DiGiuseppe
Superintendent


Jim Minkewicz
Board Secretary/Business Administrator

KINNELON SCHOOL DISTRICT
ORGANIZATIONAL CHART



BOROUGH OF KINNELON BOARD OF EDUCATION KINNELON, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2014

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Denise Hatch	President	2014
Katie Stylianou	Vice President	2015
Jessica Barish	Member	2016
Brian Davin	Member	2016
Marianne DeAlessi	Member	2014
Michael Petruccelli	Member	2015
Marcy Pryor	Member	2016

Other Officials

Diane DiGiuseppe, Superintendent

Jim Minkewicz, Business Administrator/Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

David H. Evans
Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEYS

Andrea Kahn
McManimon & Scotland
1037 Raymond Blvd., Suite 400
Newark, NJ 07102

Apruzzese, McDermott, Mastro & Murphy
25 Independence Boulevard
Box 112
Liberty Corner, NJ 07938

OFFICIAL DEPOSITORY

Lakeland Bank
Route 23 North
Kinnelon, NJ 07405

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Kinnelon Borough School District
 County of Morris, 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 Board of Education of the Kinnelon Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris, as of June 30, 2014, 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, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 3

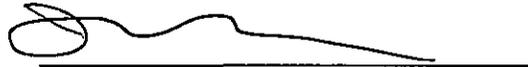
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 District's internal control over financial reporting and compliance.

September 12, 2014
Mount Arlington, New Jersey


NISIVOCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION – PART I
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Management Discussion and Analysis (Unaudited)

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Financial Highlights

The District's financial status continues to improve each year on both a district-wide basis and the fund basis.

- Fund Balance –\$161,565 was the calculated excess surplus at June 30, 2014. At June 30, 2014, the District's Unassigned General Fund Balance was \$729,668.
- In 2013/14, the Governmental Activities had \$39,844,318 in revenue. The majority of Governmental Activities revenue was raised through local property taxes and state aid. The total Governmental Activities expenditures for 2013/14 were \$39,234,577.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary 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.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates like a business, such as food services and the enrichment program.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Kinnelon Borough's School District Financial Report

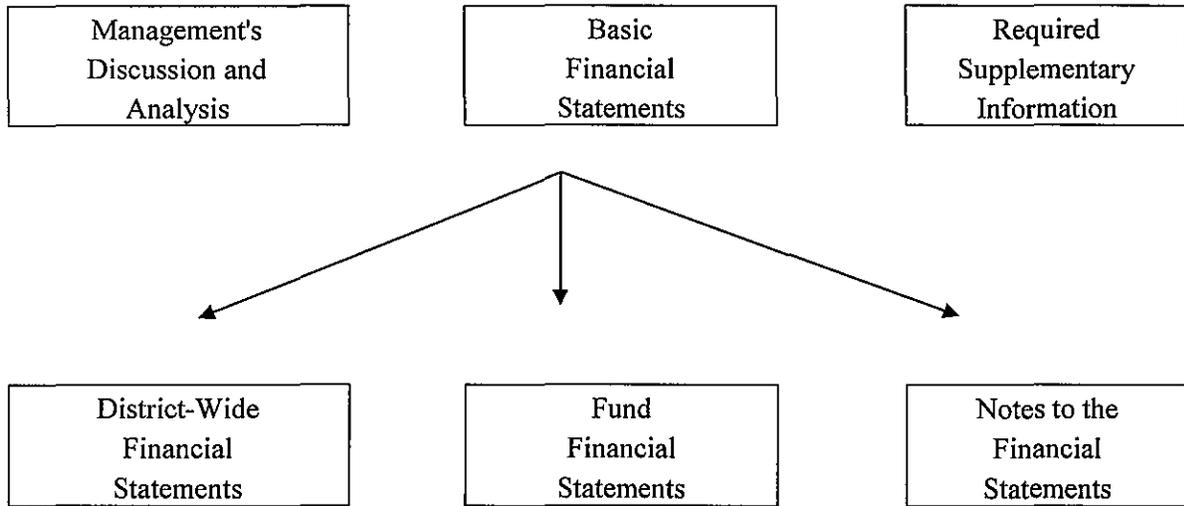


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements		
	District-Wide 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 special education and building maintenance	Activities the district operates similar to private businesses, food services and enrichment program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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, deferred inflows and outflows and liabilities. All of the current year's revenue 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 it has changed. Net position – the difference between the district's assets, deferred inflows and outflows 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 district's overall health, you need to consider additional nonfinancial 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 divided into two categories:

- *Governmental activities*: Most of the district's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The district charges fees to help it cover the costs of certain services it provides. The district's food service and enrichment program are 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 establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

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 you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) 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. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The district uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The district currently does not maintain any internal service funds.

- *Fiduciary funds:* The district is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements: Provides additional information essential to full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's net position is shown in Figure A-3.

Figure A-3

	Condensed Statement of Net Position						Percentage Change
	Governmental Activities		Business-Type Activities		Total School District		
	Restated 2012/13	2013/14	2012/13	2013/14	Restated 2012/13	2013/14	
Current and Other Assets	\$ 3,007,874	\$ 2,622,599	\$ 181,542	\$ 207,987	\$ 3,189,416	\$ 2,830,586	-11.25%
Capital Assets	44,209,340	42,948,575	93,777	79,782	44,303,117	43,028,357	-2.88%
Total Assets	47,217,214	45,571,174	275,319	287,769	47,492,533	45,858,943	-3.44%
Deferred Outflow of Resources	790,540	711,486			790,540	711,486	-10.00%
Long-Term Debt							
Outstanding	24,857,402	24,279,299			24,857,402	24,279,299	-2.33%
Other Liabilities	1,442,859	476,667	17,378	452	1,460,237	477,119	-67.33%
Total Liabilities	26,300,261	24,755,966	17,378	452	26,317,639	24,756,418	-5.93%
Net Position:							
Net Investment in Capital Assets	19,148,508	19,254,575	93,777	79,782	19,242,285	19,334,357	0.48%
Restricted	30,223	861,139			30,223	861,139	2749.28%
Unrestricted	1,738,222	1,410,980	164,164	207,535	1,902,386	1,618,515	-14.92%
Total Net Position	\$ 20,916,953	\$ 21,526,694	\$ 257,941	\$ 287,317	\$ 21,174,894	\$ 21,814,011	3.02%

Changes in net position: The District's *combined* net position was \$639,117 more than it was the year before primarily due to a reduction of debt associated with capital assets. (See Figure A-4).

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2013/14	Business-Type Activities 2013/14	Total School District 2013/14	Governmental Activities 2012/13	Business-Type Activities 2012/13	Total School District 2012/13	Percentage Change 2013/14
Revenue:							
Program Revenue:							
Charges for Services		\$ 720,975	\$ 720,975		\$ 652,802	\$ 652,802	10.44%
State Formula Aid, Operating Grants and Contributions	\$ 5,208,200	71,737	5,279,937	\$ 5,672,053	84,037	5,756,090	-8.27%
General Revenue:							
Property Taxes	34,264,746		34,264,746	33,978,387		33,978,387	0.84%
Other	371,372	248	371,620	331,645	277	331,922	11.96%
Total Revenue	<u>39,844,318</u>	<u>792,960</u>	<u>40,637,278</u>	<u>39,982,085</u>	<u>737,116</u>	<u>40,719,201</u>	-0.20%
Expenses:							
Instruction	21,872,859		21,872,859	22,485,843		22,485,843	-2.73%
Pupil and Instruction Services	7,120,081		7,120,081	6,639,573		6,639,573	7.24%
Administrative and Business	3,481,185		3,481,185	3,579,401		3,579,401	-2.74%
Maintenance and Operations	3,766,137		3,766,137	3,803,463		3,803,463	-0.98%
Transportation	1,954,847		1,954,847	1,922,290		1,922,290	1.69%
Other	1,039,468	763,584	1,803,052	1,113,936	725,455	1,839,391	-1.98%
Total Expenses	<u>39,234,577</u>	<u>763,584</u>	<u>39,998,161</u>	<u>39,544,506</u>	<u>725,455</u>	<u>40,269,961</u>	-0.67%
Increase/(Decrease) in Net Position	<u>\$ 609,741</u>	<u>\$ 29,376</u>	<u>\$ 639,117</u>	<u>\$ 437,579</u>	<u>\$ 11,661</u>	<u>\$ 449,240</u>	42.27%

Revenue Sources. The District's total revenue for the 2013/14 school year was \$40,637,278. (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$34,264,746 of the total, or 84.32 percent. (See Figure A-5). The remainder came from State Aid, miscellaneous sources and charges for services. It is important to note that of the State and Federal Aid and Grants of \$5,279,937, \$3,014,664 is included in funds that are not received by the District, but are included in funding for Social Security which is received by the District, and pension payments and post retirement benefits that the State of New Jersey pays on behalf of the District. The Kinnelon Borough School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5

Sources of Revenue for Fiscal Year 2014

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 1,439,528	3.54%
Operating Grants and Contributions	3,840,409	9.45%
Property Taxes	34,264,746	84.32%
Charges for Services	720,975	1.77%
Other	371,620	0.92%
	<u>\$ 40,637,278</u>	<u>100.00%</u>

The total cost of all programs and services was \$39,998,161. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (77.37 percent). (See Figure A-6). The District's administrative and business activities accounted for 8.70 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2014

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 21,872,859	54.68%
Pupil and Instruction Services	7,120,081	17.80%
Administrative and Business	3,481,185	8.70%
Maintenance and Operations	3,766,137	9.42%
Transportation	1,954,847	4.89%
Other	1,803,052	4.51%
	<u>\$ 39,998,161</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District continues to improve. However, maintaining existing programs with a slight reduction in regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. The District is also faced with significant increases in health benefit costs.

Careful management of expenses remains essential for the district to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Negotiated administrative salaries to fall within the 2% cap
- Expanded autism program at the elementary level
- Authorized participation in the Morris County Solar Energy Initiative
- Relocated Sisco kindergarten program into two neighborhood kindergarten programs

It is crucial that the District continue to examine its expenditures carefully. Increasing teacher, parental and student demands for new activities and programs must be evaluated thoroughly. District resources continue to be at their tightest level in many years.

Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013/14	2013/14	2012/13	2012/13
Instruction	\$ 21,872,859	\$ 18,317,844	\$22,485,843	\$18,553,787
Pupil and Instruction Services	7,120,081	6,195,799	6,639,573	5,697,081
Administrative and Business	3,481,185	3,188,267	3,579,401	3,235,743
Maintenance and Operations	3,766,137	3,589,084	3,803,463	3,602,829
Transportation	1,954,847	1,695,915	1,922,290	1,669,077
Other	1,039,468	1,039,468	1,113,936	1,113,936
	<u>\$ 39,234,577</u>	<u>\$ 34,026,377</u>	<u>\$39,544,506</u>	<u>\$33,872,453</u>

- The cost of all governmental activities this year was \$39,234,577.
- The federal and state governments subsidized certain programs with grants and contributions (\$5.28 million).
- Most of the District's costs (\$34.26 million), however, were financed by District taxpayers.
- A portion of governmental activities was financed with \$1,439,528 in state aid based on the SFRAPAY formula.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$29,376. (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues by approximately \$10,594.
- Enrichment program revenues exceeded expenses by approximately \$39,722.
- Enrichment program interest totaled \$234 and food service interest totaled \$197.
- A transfer from Food Service Fund to the General Fund for interest in the amount of \$183.

Financial Analysis of the District's Funds

The District's financial position remains stable and continues to meet the rising challenge of difficult economic times. Expenditures during the recent year increased significantly as a result of an increased number of regular pupils, as well as pupils with disabilities. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

Other significant areas of budget increases have been in health insurance and energy. Insurance costs for all staff have continued to dramatically increase.

Difficult economic times have had a direct impact upon the District's revenue sources. As required by the enacted legislation, the District offset the tax levy by reducing fund balance to 2% of the current expense budget. As overall revenue for the District diminishes, the amount of funds generated to offset the tax levy likewise decreases.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The budget amendment is as follows:

- Allowed changes to be made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2013/14
	Government Activities		Business-Type Activities		Total School District		
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	0.00%
Buildings and Improvements	42,180,441	43,330,252			42,180,441	43,330,252	-2.65%
Machinery and Equipment	722,324	833,278	\$ 79,782	\$ 93,777	802,106	927,055	-13.48%
Total Capital Assets (net of Depreciation)	\$ 42,948,575	\$ 44,209,340	\$ 79,782	\$ 93,777	\$ 43,028,357	\$ 44,303,117	-2.88%

Depreciation expense for Government activities totaled \$1,356,140 in 2013/14. Depreciation expense for business-type activities totaled \$13,995 in 2013/14.

Long-term Debt

At year-end, the District had \$23,567,813 in general obligation bonds and other long-term debt outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

	Outstanding Long-Term Debt		Percentage Change 2013/14
	Total School District		
	2013/14	Restated 2012/13	
General Obligation Bonds (Financed with Property Taxes)	\$ 23,694,000	\$ 25,004,000	-5.24%
Compensated Absences	585,299	587,110	-0.31%
Capital Leases		56,832	-100.00%
	\$ 24,279,299	\$ 25,647,942	-5.34%

- The District's accrued compensated absences decreased slightly by \$1,811.
- The District paid down debt, retiring \$1,310,000 of outstanding bonds.
- The District paid down capital leases, retiring \$56,832.

Factors Bearing on the District's Future Revenue/Expense Changes

The impact of School Funding Reform Act. The School Funding Reform Act, adopted by the State of New Jersey on January 13, 2008, provided a new funding formula which would meet the requirements of Abbott v Burke in future years. The legislation requires each district to provide a local "fair share" contribution to property taxes to support schools, and establishes an "adequacy budget" for each district. The adequacy budget is based a state formula for each expenditure that is needed to provide a thorough and efficient education. The formula also includes enrollment and other factors such as the number of special education students and at-risk, or poor students.

The impact of S29, adopted by the State of New Jersey on July 13, 2010 reduced the District's ability to increase taxes. While A1 legislation in 2007 restricted increases in the District's tax levy to 4%, this legislation, further reduced any increase in tax levy to no by more than 2%. The District will need to focus on containing increases in areas such as health benefits and other employee benefits.

The impact of S2937 adopted by the State of New Jersey on June 28, 2011 provides pension and health benefit reforms. This legislation has provided some long term cost containment for pension and health benefit costs. In 2014-15, the District will be in Tier IV of the health benefit contribution schedule.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 Board of Education Office, Glen Sisco School, 109 Kiel Road, Kinnelon, NJ 07405.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,905,909	\$ 195,595	\$ 2,101,504
Receivables from Other Governments	365,052	4,144	369,196
Internal Balances	14	(14)	
Interfund Receivable	51,524		51,524
Inventory		8,262	8,262
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	300,100		300,100
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	42,902,765	79,782	42,982,547
Total Assets	45,571,174	287,769	45,858,943
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	711,486		711,486
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,765		4,765
Payable to State Government	188		188
Unamortized Bond Premium	460,830		460,830
Unearned Revenue	10,884	452	11,336
Noncurrent Liabilities:			
Due Within One Year	1,413,529		1,413,529
Due Beyond One Year	22,865,770		22,865,770
Total Liabilities	24,755,966	452	24,756,418
NET POSITION			
Net Investment in Capital Assets	19,254,575	79,782	19,334,357
Restricted for:			
Capital Projects	300,100		300,100
Other Purposes	561,039		561,039
Unrestricted	1,410,980	207,535	1,618,515
Total Net Position	\$ 21,526,694	\$ 287,317	\$ 21,814,011

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular	\$ 16,435,098		\$ 1,642,550		\$ (14,792,548)	\$ (14,792,548)
Special Education	3,852,677		1,796,340		(2,056,337)	(2,056,337)
Other Special Instruction	488,137		48,873		(439,264)	(439,264)
Other Instruction	1,096,947		67,252		(1,029,695)	(1,029,695)
Support services:						
Tuition	1,608,863		388,355		(1,220,508)	(1,220,508)
Student & Instruction Related Services	5,511,218		535,927		(4,975,291)	(4,975,291)
General Administrative Services	559,512		34,560		(524,952)	(524,952)
School Administrative Services	2,263,211		203,840		(2,059,371)	(2,059,371)
Central Services	550,833		43,670		(507,163)	(507,163)
Administrative Information Technology	107,629		10,848		(96,781)	(96,781)
Plant Operations and Maintenance	3,766,137		177,053		(3,589,084)	(3,589,084)
Pupil Transportation	1,954,847		258,932		(1,695,915)	(1,695,915)
Interest on Long-Term Debt	979,029				(979,029)	(979,029)
Capital Outlay	60,439				(60,439)	(60,439)
Total Governmental Activities	39,234,577	-0-	5,208,200	-0-	(34,026,377)	(34,026,377)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 528,907	\$ 446,576	\$ 71,737		\$ (10,594)	\$ (10,594)
Enrichment Program	234,677	274,399			39,722	39,722
Total Business-Type Activities	763,584	720,975	71,737		29,128	29,128
Total Primary Government	\$ 39,998,161	\$ 720,975	\$ 5,279,937	\$ (34,026,377)	\$ 29,128	\$ (33,997,249)

<u>General Revenues and Transfers:</u>		
<u>Taxes:</u>		
Property Taxes, Levied for General Purposes, Net	32,102,343	32,102,343
Taxes Levied for Debt Service	2,162,403	2,162,403
Investment Earnings		431
Miscellaneous Income	302,636	302,636
Federal and State Aid not Restricted	68,553	68,553
Transfers	183	(183)
Total General Revenue and Transfers	34,636,118	34,636,366
Change in Net Position	609,741	639,117
Net Position - Beginning, as Restated	20,916,953	21,174,894
Net Position - Ending	\$ 21,526,694	\$ 21,814,011

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,888,842	\$ 17,067	\$ 1,905,909
Receivables From State Government	365,052		365,052
Interfund Receivable	52,768		52,768
Restricted Cash and Cash Equivalents	300,100		300,100
Total Assets	<u>\$ 2,606,762</u>	<u>\$ 17,067</u>	<u>\$ 2,623,829</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable		\$ 4,765	\$ 4,765
Payable to State Government		188	188
Interfund Payable		1,230	1,230
Unearned Revenue		10,884	10,884
Total Liabilities		<u>17,067</u>	<u>17,067</u>
Fund Balances:			
Restricted for:			
Capital Reserve	\$ 300,100		300,100
Excess Surplus - Current Year	161,565		161,565
Excess Surplus - Prior Year:			
For Subsequent Year's Expenditures	399,474		399,474
Assigned:			
Year-end Encumbrances	1,015,955		1,015,955
Unassigned	729,668		729,668
Total Fund Balances	<u>2,606,762</u>		<u>2,606,762</u>
Total Liabilities and Fund Balances	<u>\$ 2,606,762</u>	<u>\$ 17,067</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 \$65,444,994 and the accumulated depreciation is \$22,496,419. 42,948,575

Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt. The original premium is \$614,442 and accumulated amortization is \$153,612. (460,830)

Deferred amount on refunding is not reported as an expense in the governmental funds in the year of expense. The deferred amount on refunding is \$948,649 and the accumulated amortization is \$237,163. 711,486

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 (24,279,299)

Net Position of Governmental Activities \$ 21,526,694

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 32,102,343		\$ 2,162,403	\$ 34,264,746
Tuition	155,734			155,734
Interest Earned	6,464			6,464
Miscellaneous	140,438	\$ 12,466		152,904
Total - Local Sources	32,404,979	12,466	2,162,403	34,579,848
State Sources	4,748,825	3,005	68,553	4,820,383
Federal Sources		443,904		443,904
Total Revenue	37,153,804	459,375	2,230,956	39,844,135
EXPENDITURES:				
Current:				
Regular Instruction	11,497,005			11,497,005
Special Education Instruction	2,751,700	57,834		2,809,534
Other Special Instruction	353,665			353,665
Other Instruction	734,929			734,929
Support Services and Undistributed Costs:				
Tuition	1,220,508	388,355		1,608,863
Student & Instruction Related Services	4,059,734	13,186		4,072,920
General Administrative Services	433,503			433,503
School Administrative Services	1,569,588			1,569,588

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Cont'd):				
Support Services and Undistributed Costs (Cont'd):				
Central Services	\$ 430,680			\$ 430,680
Administrative Information Technology	77,780			77,780
Plant Operations and Maintenance	3,140,976			3,140,976
Pupil Transportation	1,870,391			1,870,391
Unallocated Benefits	8,294,708			8,294,708
Debt Service:				
Principal			\$ 1,310,000	1,310,000
Interest and Other Charges			951,179	951,179
Capital Outlay	158,884			158,884
Total Expenditures	<u>36,594,051</u>	<u>\$ 459,375</u>	<u>2,261,179</u>	<u>39,314,605</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>559,753</u>		<u>(30,223)</u>	<u>529,530</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	183			183
Total Other Financing Sources/(Uses)	<u>183</u>			<u>183</u>
Net Change in Fund Balances	559,936		(30,223)	529,713
Fund Balance—July 1	<u>2,046,826</u>		<u>30,223</u>	<u>2,077,049</u>
Fund Balance—June 30	<u>\$ 2,606,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,606,762</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from B-2)

Amounts Reported for Governmental Activities in the Statement
of Activities (A-2) are Different Because: \$ 529,713

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

	Depreciation expense	\$ (1,356,140)	
	Capital outlays	98,445	
	Deletions	<u>(3,070)</u>	
			(1,260,765)

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces
Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 1,310,000

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are
measured by the amounts earned during the year. In the governmental funds, however, expenditures
for these items are reported in the amount of financial resources used (paid). When the earned amount
exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount
exceeds the earned amount the difference is an addition to the reconciliation (+). 1,811

Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces
Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 56,832

The governmental funds report the effect of bond premium when debt is first issued, whereas
these amounts are deferred and amortized in the Statement of Activities. (+) 51,204

The governmental funds report the effect of deferred interest costs relative to advance refunding when debt is
first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (-) (79,054)

Change in Net Position of Governmental Activities \$ 609,741

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Total Business-type Activities - Enterprise Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 195,595
Accounts Receivable:	
Federal	3,870
State	274
Inventories	<u>8,262</u>
Total Current Assets	<u>208,001</u>
Non-Current Assets:	
Capital Assets	388,942
Less: Accumulated Depreciation	<u>(309,160)</u>
Total Non-Current Assets	<u>79,782</u>
Total Assets	<u>287,783</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	14
Unearned Revenue	<u>452</u>
Total Current Liabilities	<u>466</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	79,782
Unrestricted	<u>207,535</u>
Total Net Position	<u>\$ 287,317</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Food Service	Enrichment Program	Total Business-type Activities - Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 224,972		\$ 224,972
Daily Sales - Non-Reimbursable Programs	221,604		221,604
Program Fees		\$ 274,399	274,399
Total Operating Revenue	446,576	274,399	720,975
Operating Expenses:			
Cost of Sales	254,998		254,998
Salaries, Benefits & Payroll Taxes	219,602	166,447	386,049
Employee Benefits	16,339	10,450	26,789
Management Fee	15,952		15,952
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,814	32,986	34,800
Administrative Expense	6,032	24,794	30,826
Total Operating Expenses	528,907	234,677	763,584
Operating Income/(Loss)	(82,331)	39,722	(42,609)
Non-Operating Income:			
Local Sources:			
Interest Income	197	234	431
State Sources:			
State School Lunch Program	3,414		3,414
Federal Sources:			
National School Lunch Program	50,769		50,769
Food Distribution Program	17,554		17,554
Total Non-Operating Income	71,934	234	72,168
Net Income/(Loss) Before Operating Transfers	(10,397)	39,956	29,559
Operating Transfers Out - General Fund	(183)		(183)
Change in Net Position	(10,580)	39,956	29,376
Net Position - Beginning of Year	174,682	83,259	257,941
Net Position - End of Year	<u>\$ 164,102</u>	<u>\$ 123,215</u>	<u>\$ 287,317</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Food Service	Enrichment Program	Total Business-type Activities - Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 546,309	\$ 274,399	\$ 820,708
Payments to Employees	(219,602)	(166,447)	(386,049)
Payments for Benefits	(16,339)	(10,450)	(26,789)
Payments to Suppliers	(278,971)	(32,986)	(311,957)
Payments for Administrative Expenses	(24,794)	(24,794)	(24,794)
Net Cash Provided by Operating Activities	31,397	39,722	71,119
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	56,804		56,804
Operating Transfer Out - General Fund	(183)		(183)
Net Cash Provided by Noncapital Financing Activities	56,621		56,621
Cash Flows from Investing Activities:			
Investment Income	197	234	431
Net Cash Flows Provided by Investing Activities	197	234	431
Net Increase in Cash and Cash Equivalents	88,215	39,956	128,171
Cash and Cash Equivalents, July 1	(15,835)	83,259	67,424
Cash and Cash Equivalents, June 30	\$ 72,380	\$ 123,215	\$ 195,595
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ (82,331)	\$ 39,722	\$ (42,609)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by Operating Activities:			
Federal Food Distribution Program	17,554		17,554
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Inventory	(1)		(1)
Decrease/(Increase) in Interfund Receivable	83,285		83,285
Increase/(Decrease) in Interfund Payable	(14)		(14)
Increase/(Decrease) in Unearned Revenue	(1,091)		(1,091)
Net Cash Provided by Operating Activities	\$ 31,397	\$ 39,722	\$ 71,119

Investing and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Donated Commodities through the Food Distribution Program valued at \$16,463 and utilized commodities valued at \$17,554.

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 134,175	\$ 2,233	\$ 303,645
Investments		100,000	
Total Assets	<u>134,175</u>	<u>102,233</u>	<u>303,645</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings			253
Interfund Payable General Fund			51,524
Due to Student Groups			251,868
Total Liabilities			<u>303,645</u>
<u>NET POSITION:</u>			
Held in Trust for Unemployment Claims	134,175		
Restricted for Scholarships		102,233	
Total Net Position	<u>\$ 134,175</u>	<u>\$ 102,233</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Plan Members	\$ 57,347		\$ 57,347
Donations		\$ 60,000	60,000
Total Contributions	<u>57,347</u>	<u>60,000</u>	<u>117,347</u>
Investment Earnings:			
Interest	<u>271</u>	<u>364</u>	<u>635</u>
Net Investment Earnings	<u>271</u>	<u>364</u>	<u>635</u>
Total Additions	<u>57,618</u>	<u>60,364</u>	<u>117,982</u>
DEDUCTIONS:			
Unemployment Compensation Claims	54,232		54,232
Scholarships Awarded		60,495	60,495
Total Deductions	<u>54,232</u>	<u>60,495</u>	<u>114,727</u>
Change in Net Position	3,386	(131)	3,255
Net Position - Beginning of the Year	<u>130,789</u>	<u>102,364</u>	<u>233,153</u>
Net Position - End of the Year	<u>\$ 134,175</u>	<u>\$ 102,233</u>	<u>\$ 236,408</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include 2 elementary schools, 1 middle school, and 1 high school located in the Borough of Kinnelon. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenue of the District.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following proprietary funds:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

B. Basis of Presentation (Cont'd)

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

Enterprise Fund- Enrichment Program: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's enrichment program. This program provides before and after school activities, as well as kindergarten enrichment opportunities to students who subscribe to the program. The Enrichment Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the state is recording the last two state aid payments in the subsequent year, the District cannot recognize these payments on the GAAP financial statements.

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 37,164,774	\$ 456,302
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		3,073
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	127,179	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(138,149)</u>	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 37,153,804</u>	<u>\$ 459,375</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

D. Budgets/Budgetary Control

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 36,594,051	\$ 456,302
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		3,073
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 36,594,051	\$ 459,375

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit, with maturities of one year or less when purchased, are stated at cost.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions

Transfers between governmental and business-type activities on the district-wide statements are reported in the same manner as general revenue. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenue/expenses in the Enterprise Funds.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

F. Interfund Transactions

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

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

H. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, 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.

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

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

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

K. Capital Assets (Cont'd)

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

Asset Class	Estimated Useful Life in Years
Buildings	50
Site Improvements	20
Furniture and Equipment	10 to 15
Computer and Related Technology	5
Vehicles	8

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

L. Long-Term Liabilities

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2014.

N. Compensated Absences

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

N. Compensated Absences (Cont'd)

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

O. Unearned Revenue

Unearned revenue represents cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$2,606,762 General Fund fund balance at June 30, 2014, \$1,015,955 is assigned for encumbrances; \$300,100 is restricted in the capital reserve account; \$161,565 is the current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016; \$399,474 is the prior year excess surplus and has been included as anticipated revenue for the fiscal year ending June 30, 2015; and there \$729,668 is in unassigned fund balance.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2014 as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$138,149 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the prior fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

Q. Net Position (Cont'd)

The District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year. 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.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the deferred amount on refunding related to the 2005 and 2010 refunding bonds at June 30, 2014.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2014.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and also includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned. Fund balance restrictions have been established for capital reserve and excess surplus.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

R. Fund Balance Restrictions, Commitments and Assignments:

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2014.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2014.

S. Revenue - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the school district on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

T. Operating Revenue and Expenses

Operating revenue is those revenues that are generated directly from the primary activity of the respective Proprietary Fund. For the School District, these revenue are sales for food service and fees for the enrichment program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Proprietary Fund.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

U. Management Estimates

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

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Note 3. Cash and Cash Equivalents and Investments

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

Investments are stated at cost, or amortized cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 3. Cash and Cash Equivalents and Investments (Cont'd)

Deposits (Cont'd)

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

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

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 3. Cash and Cash Equivalents and Investments (Cont'd)

As of June 30, 2014, cash and cash equivalents and investments of the District consisted of the following:

<u>Accounts</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Checking Accounts	\$ 2,541,557		\$ 2,541,557
Certificates of Deposit		\$ 100,000	100,000
Capital Reserve	300,100		300,100
	<u>\$ 2,841,657</u>	<u>\$ 100,000</u>	<u>\$ 2,941,657</u>

During the period ending June 30, 2014, the District did not hold any investments other than certificates of deposits. The carrying amount of the Board's cash and cash equivalents at June 30, 2014 was \$2,941,657 and the bank balance was \$3,949,426.

Note 4. Capital Reserve Account

A capital reserve account was established by the Borough of Kinnelon Board of Education by inclusion of \$100 on February 9, 1999, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning balance, July 1, 2013	<u>\$ 300,100</u>
Ending balance, June 30, 2014	<u>\$ 300,100</u>

The balance in the capital reserve account at June 30, 2014 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 5. Capital Assets

Capital assets balances and activity for the year ended June 30, 2014 were as follows:

Activities	Beginning Balance	Additions	Deletions/ Adjustments	Total Ending Balance
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	45,810			45,810
Assets Being Depreciated:				
Buildings and Improvements	60,530,736			60,530,736
Machinery and Equipment	4,778,303	\$ 98,445	\$ (8,300)	4,868,448
Total Assets Being Depreciated	65,309,039	98,445	(8,300)	65,399,184
Less: Accumulated Depreciation:				
Buildings and Improvements	(17,200,484)	(1,149,811)		(18,350,295)
Machinery and Equipment	(3,945,025)	(206,329)	5,230	(4,146,124)
Total Accumulated Depreciation	(21,145,509)	(1,356,140)	5,230	(22,496,419)
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 44,209,340</u>	<u>\$(1,257,695)</u>	<u>\$ (3,070)</u>	<u>\$42,948,575</u>
Business-Type Activities:				
Machinery and Equipment	\$ 388,942			\$ 388,942
Less: Accumulated Depreciation	(295,165)	\$ (13,995)		(309,160)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 93,777</u>	<u>\$ (13,995)</u>	<u>\$ -0-</u>	<u>\$ 79,782</u>

Depreciation expense was charged to governmental functions as follows:

	Amount
Regular Instruction	\$ 871,184
Other Instruction	176,976
General Administrative Services	30,920
School Administrative Services	132,766
Plant Operations and Maintenance	134,936
Pupil Transportation	9,358
Total Depreciation Charged	<u>\$ 1,356,140</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2014, the District made transfers to capital outlay accounts - \$386,502 for the acquisition of equipment. Transfers to equipment accounts do not require approval of the County Superintendent.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 7. Long-Term Liabilities

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2013	Issued/ Accrued	Retired	Balance June 30, 2014	Amounts Due Within One Year
Serial Bonds Payable	\$ 25,004,000		\$ 1,310,000	\$ 23,694,000	\$ 1,355,000
Compensated Absences	587,110	\$ 78,748	80,559	585,299	58,529
Capital Leases	56,832		56,832		
Total Obligations	\$ 25,647,942	\$ 78,748	\$ 1,447,391	\$ 24,279,299	\$ 1,413,529

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the school district through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be liquidated through the debt service fund.

On November 16, 2005, the District issued refunding school bonds of \$4,615,000 with interest rates ranging from 3.25% to 4.00% to advance refund \$4,406,000 school bonds with interest rates ranging from 4.75% to 4.80%. The bonds mature on October 1, 2009 through 2017 and October 1, 2009 was the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on October 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$148,999, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$135,485.

On September 14, 2010, the District issued refunding school bonds of \$9,980,000 with interest rates ranging from 2.00% to 4.00% to advance refund \$9,502,000 school bonds with interest rates ranging from 4.05% to 4.70%. The bonds mature on October 1, 2013 through 2021 and October 1, 2020 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on October 1, 2020. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$434,927, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$395,461.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 7. Long-Term Liabilities (Cont'd)

A. Bonds Payable (Cont'd)

The District had serial bonds outstanding as of June 30, 2014 as follows:

<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2014</u>
11/16/2005	3.63-4.00%	10/1/2017	\$ 2,090,000
12/27/2006	4.00-4.25%	2/1/2033	6,255,000
1/24/2007	4.20%	2/1/2033	6,259,000
9/14/2010	3.00-4.00%	10/1/2023	9,090,000
			<u>\$ 23,694,000</u>

Debt service requirements on serial bonds payable at June 30, 2014 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,355,000	\$ 907,853	\$ 2,262,853
2016	1,380,000	862,873	2,242,873
2017	1,405,000	811,924	2,216,924
2018	1,450,000	954,994	2,404,994
2019	1,020,000	706,354	1,726,354
2020-2024	5,400,000	2,939,162	8,339,162
2025-2029	5,960,000	1,998,790	7,958,790
2030-2033	5,724,000	609,072	6,333,072
	<u>\$ 23,694,000</u>	<u>\$ 9,791,022</u>	<u>\$ 33,485,022</u>

B. Bonds Authorized but not Issued

As of June 30, 2014, the Board has no bonds authorized but not issued.

C. Capital Leases Payable

The District paid off its final lease payment for buses valued at \$270,852 in 2014.

As of June 30, 2014, there were no capital leases payable.

D. Compensated Absences Payable

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The long-term liability balance of compensated absences is \$526,770 and the short term liability is \$58,529 for Governmental Activities.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 7. Long-Term Liabilities (Cont'd)

D. Compensated Absences Payable (Cont'd)

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, no liability existed for compensated absences in the Food Service Fund or Enrichment Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

Note 8. Pension Plans

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age or after 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

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 obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 8. Pension Plans (Cont'd)

District contributions to PERS amounted to \$327,943, \$367,442 and \$390,782 for the fiscal years ended June 30, 2014, 2013 and 2012 respectively.

During the fiscal years ended June 30, 2014, 2013, and 2012 the State of New Jersey contributed \$667,297 \$1,051,872 and \$526,491, respectively, to the TPAF for pension benefits on-behalf of the District.

Note 9. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,094,116 \$1,189,401 and \$1,058,384 for 2014, 2013 and 2012, respectively.

Note 10. Deferred Compensation

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

- | | |
|---|----------------------|
| ➤ Equitable | ➤ Metropolitan Life |
| ➤ Great West (thru Lincoln Investments) | ➤ Met Life Investors |
| ➤ Lincoln National | ➤ Valic (AIG) |

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through Horizon Blue Cross Blue Shield.

Property and Liability Insurance:

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

New Jersey Unemployment Compensation Insurance:

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the 'Benefit Reimbursement Method.' Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District contributions, employee contributions, interest earned, reimbursements to the State for benefits paid, and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	\$ 57,347	\$ 271	\$ 54,232	\$ 134,175
2012-2013	94,830	291	158,914	130,789
2011-2012	144,803	204	66,860	194,582

Property, Liability and Health Benefits

The Kinnelon Borough School District is a member of the Pooled Insurance Program of New Jersey (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. The Kinnelon Borough School District receives only workers' compensation coverage from the Fund. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 11. Risk Management (Cont'd)

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No.10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2014 audit report is not available as of the date of this report. Selected summarized financial information for the Pool as of June 30, 2013 is as follows:

<u>Year Ended</u> <u>June 30, 2013</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	\$ 21,638,397
Net Position	\$ 5,529,070
Total Revenue	\$ 7,946,893
Total Expenses and Adjustments	\$ 6,106,034
Change in Net Position	\$ 1,840,859
Members Dividends	\$ 1,219,464

Financial statements for the Fund are available at the Fund Administrator's Office:

Pooled Insurance Program of New Jersey
Burton Agency, Inc.
44 Bergen Street
Westwood, New Jersey 07675
(201) 664-0301

Note 12. Tax Calendar

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 13. Contingent Liabilities

Grant Programs

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

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2014, if any, is unknown.

Encumbrances

At June 30, 2014, there were encumbrances as detailed below in the governmental funds.

General Fund	Total Governmental Activities
\$ 1,015,955	\$ 1,015,955

Note 14. Economic Dependency

The Board of Education receives support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

Note 15. Accounts Payable:

Payables as of June 30, 2014 were:

	Governmental Activities	
	Special Revenue Fund	Total Governmental Activities
Vendors	\$ 4,765	\$ 4,765
	\$ 4,765	\$ 4,765

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 16. Interfund Receivables and Payables:

The District had the following interfunds payables or receivables as of June 30, 2014.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 52,768	
Special Revenue Fund		\$ 1,230
Enterprise Fund - Food Service		14
Payroll Agency Fund		51,524
	<u>\$ 52,768</u>	<u>\$ 52,768</u>

The interfund activity between the Payroll Agency Fund and the General Fund is due to excess funds transferred to cover payroll expenses. The interfund due from the General Fund to the Enterprise Fund is due to interest earned in the Food Service Fund and not yet turned over to General Fund. The interfund activity between the General Fund and the Special Revenue Fund is due to the timing of the collection of Federal grant receipts.

Note 17. Prior Period Adjustment:

The District made a prior year adjustment in the District Wide Financial Statements to remove Bond Issuance Costs, to be in compliance with GASB 68. The financial statements for June 30, 2013 have been restated as follows:

	<u>Balance 6/30/2013 as Previously Reported</u>	<u>Retroactive Adjustments</u>	<u>Balance 6/30/2013 as Restated</u>
Statement of Activities			
Governmental Activities:			
Net Position - Beginning	\$ 21,036,781	\$ (119,828)	\$ 20,916,953
Deferred Outflows of Resources:			
Deferred Amount on Refunding	-0-	790,540	790,540

The corrections had no impact on the District's operations or statement of activities for the fiscal year ended June 30, 2014.

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 32,102,343		\$ 32,102,343	\$ 32,102,343	
Tuition	100,000		100,000	155,734	\$ 55,734
Miscellaneous	200,000		200,000	146,902	(53,098)
Total - Local Sources	32,402,343		32,402,343	32,404,979	2,636
State Sources:					
Transportation Aid	193,798		193,798	193,798	
Special Education Aid	1,080,571		1,080,571	1,080,571	
Security Aid	165,159		165,159	165,159	
Extraordinary Aid	109,374		109,374	287,179	177,805
Additional Nonpublic School Transportation Aid				18,424	18,424
On-Behalf TPAF Pension Payments (Non-Budgeted)				667,297	667,297
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,094,116	1,094,116
TPAF Social Security (Reimbursed - Non-Budgeted)				1,253,251	1,253,251
Total State Sources	1,548,902		1,548,902	4,759,795	3,210,893
TOTAL REVENUES	33,951,245		33,951,245	37,164,774	3,213,529

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 338,115	\$ (4,078)	\$ 334,037	\$ 334,036	\$ 1
Grades 1-5 - Salaries of Teachers	3,297,307	(70,003)	3,227,304	3,227,302	2
Grades 6-8 - Salaries of Teachers	2,898,474	(9,523)	2,888,951	2,888,950	1
Grades 9-12 - Salaries of Teachers	4,126,127	(30,207)	4,095,920	4,095,919	1
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	10,897	50,897	50,897	
Purchased Professional - Educational Services	240	13,519	13,759	13,142	617
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	10,381	(5,092)	5,289	5,289	
Purchased Professional - Educational Services	41,310	48,781	90,091	81,959	8,132
Other Purchased Services	182,646	39,115	221,761	199,441	22,320
General Supplies	466,837	279,701	746,538	489,421	257,117
Textbooks	164,141	(53,723)	110,418	110,414	4
Other Objects	3,698	(3,463)	235	235	
Total Regular Programs - Instruction	11,569,276	215,924	11,785,200	11,497,005	288,195

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 182,163	\$ (26,341)	\$ 155,822	\$ 155,821	\$ 1
Other Salaries for Instruction	59,262	(26,182)	33,080	33,079	1
General Supplies	4,140	(872)	3,268	3,262	6
Total Learning and/or Language Disabilities	<u>245,565</u>	<u>(53,395)</u>	<u>192,170</u>	<u>192,162</u>	<u>8</u>
Auditory Impairments:					
Salaries of Teachers	56,350	(24,540)	31,810	31,809	1
Total Auditory Impairments	<u>56,350</u>	<u>(24,540)</u>	<u>31,810</u>	<u>31,809</u>	<u>1</u>
Multiple Disabilities:					
Salaries of Teachers	118,709	20,033	138,742	138,742	
Other Salaries for Instruction	30,307	12,974	43,281	43,280	1
General Supplies	2,325	2,265	4,590	4,590	
Total Multiple Disabilities	<u>151,341</u>	<u>35,272</u>	<u>186,613</u>	<u>186,612</u>	<u>1</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,937,092	(234,864)	1,702,228	1,702,227	1
Other Salaries for Instruction	489,316	(68,950)	420,366	420,365	1
General Supplies	16,588	4,796	21,384	21,383	1
Textbooks	800	60	860	858	2
Total Resource Room/Resource Center	<u>2,443,796</u>	<u>(298,958)</u>	<u>2,144,838</u>	<u>2,144,833</u>	<u>5</u>
Autistic:					
Salaries of Teachers	81,581	22,118	103,699	103,698	1
Other Salaries for Instruction	19,079	43,958	63,037	63,036	1
General Supplies	4,278	(2,200)	2,078	2,071	7
Total Autistic	<u>104,938</u>	<u>63,876</u>	<u>168,814</u>	<u>168,805</u>	<u>9</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	65,961	(49,304)	16,657	16,657	
Other Salaries for Instruction	7,027	2,512	9,539	9,537	2
General Supplies	1,724	(438)	1,286	1,285	1
Total Preschool Disabilities - Part-time	<u>74,712</u>	<u>(47,230)</u>	<u>27,482</u>	<u>27,479</u>	<u>3</u>
Total Special Education Instruction	<u>3,076,702</u>	<u>(300,435)</u>	<u>2,751,727</u>	<u>2,751,700</u>	<u>26</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 180,518	\$ 113,647	\$ 294,165	\$ 294,164	\$ 1
General Supplies	4,082	(1,352)	2,730	2,729	1
Total Basic Skills/Remedial - Instruction	<u>184,600</u>	<u>112,295</u>	<u>296,895</u>	<u>296,893</u>	<u>2</u>
Bilingual Education - Instruction:					
Salaries of Teachers	36,678	19,570	56,248	56,247	1
General Supplies	500	35	535	525	10
Total Bilingual Education - Instruction	<u>37,178</u>	<u>19,605</u>	<u>56,783</u>	<u>56,772</u>	<u>11</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	202,427	(56,349)	146,078	133,882	12,196
Supplies and Materials	13,775	(886)	12,889	7,098	5,791
Other Objects	5,228	11,113	16,341	15,990	351
Total School-Sponsored Cocurricular Activities - Instruction	<u>221,430</u>	<u>(46,122)</u>	<u>175,308</u>	<u>156,970</u>	<u>18,338</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	486,988	(138,311)	348,677	348,305	372
Purchased Services	153,135	104,285	257,420	135,387	122,033
Supplies and Materials	101,750	2,838	104,588	84,354	20,234
Other Objects	27,160	(17,246)	9,914	9,913	1
Total School-Sponsored Cocurricular Athletics - Instruction	<u>769,033</u>	<u>(48,434)</u>	<u>720,599</u>	<u>577,959</u>	<u>142,640</u>
Total Instruction	<u>15,858,219</u>	<u>(47,167)</u>	<u>15,786,512</u>	<u>15,337,299</u>	<u>449,212</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 334,310	\$ (19,478)	\$ 314,832	\$ 314,042	\$ 790
Tuition to County Vocational School District - Regular	111,798	(11,336)	100,462	89,082	11,380
Tuition to County Vocational School District - Special	38,006	(12,018)	25,988	23,942	2,046
Tuition to County Special Services and Regular Day Schools	76,023	(74,079)	1,944	1,944	
Tuition to Private Schools for the Handicapped - Within State	526,188	265,340	791,528	791,498	30
Tuition State Facilities	31,365	(31,365)			
Total Undistributed Expenditures - Instruction:	<u>1,117,690</u>	<u>117,064</u>	<u>1,234,754</u>	<u>1,220,508</u>	<u>14,246</u>
Health Services:					
Salaries	339,541	15,768	355,309	355,308	1
Purchased Professional and Technical Services	23,647	(4,454)	19,193	17,119	2,074
Supplies and Materials	11,411	(2,577)	8,834	7,731	1,103
Total Health Services	<u>374,599</u>	<u>8,737</u>	<u>383,336</u>	<u>380,158</u>	<u>3,178</u>
Other Support Services - Students Speech OT, PT and Related Services:					
Salaries	428,018	(11,255)	416,763	416,566	197
Purchased Professional Educational Services	13,201	(2,156)	11,045	11,044	1
Supplies and Materials	4,753	(800)	3,953	3,862	91
Total Other Support Services - Students Speech OT, PT and Related Services	<u>445,972</u>	<u>(14,211)</u>	<u>431,761</u>	<u>431,472</u>	<u>289</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	267,577	147,777	415,354	415,353	1
Purchased Professional - Educational Services	287,226	(247,932)	39,294	35,093	4,201
Total Other Support Services - Students - Extraordinary Services	<u>554,803</u>	<u>(100,155)</u>	<u>454,648</u>	<u>450,446</u>	<u>4,202</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 700,752	\$ (48,171)	\$ 652,581	\$ 652,581	
Salaries of Secretarial and Clerical Assistants	103,886	(185)	103,701	103,700	\$ 1
Other Purchased Professional and Technical Services	14,090	1,476	15,566	15,385	181
Supplies and Materials	25,950	(17,591)	8,359	8,102	257
Total Other Support Services - Students - Guidance	844,678	(64,471)	780,207	779,768	439
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	755,036	155,604	910,640	910,639	1
Salaries of Secretarial and Clerical Assistants	82,499	709	83,208	83,208	
Purchased Professional - Educational Services	35,655	4,253	39,908	36,059	3,849
Other Purchased Professional and Technical Services	17,332	7,255	24,587	22,436	2,151
Miscellaneous Purchased Services	15,338	(4,530)	10,808	10,718	90
Supplies and Materials	11,373	6,631	18,004	17,553	451
Other Objects	2,180	(1,741)	439	339	100
Total Other Support Services - Students - Child Study Team	919,413	168,181	1,087,594	1,080,952	6,642
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	372,758	(2,075)	370,683	370,511	172
Salaries of Other Professional Staff	26,170	(1,332)	24,838	24,838	
Purchased Professional - Educational Services	8,000	(8,000)			
Other Purchased Services	3,000	1,269	4,269	4,269	
Supplies and Materials	6,754	3,800	10,554	10,514	40
Other Objects	3,175		3,175	3,080	95
Total Improvement of Instructional Services	419,857	(6,338)	413,519	413,212	307

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media Services/School Library:					
Salaries	\$ 261,956	\$ 13,548	\$ 275,504	\$ 275,503	\$ 1
Salaries of Technology Coordinators	103,787	35,584	139,371	139,371	
Supplies and Materials	52,071	(6,945)	45,126	45,000	126
Total Educational Media Services/School Library	<u>417,814</u>	<u>42,187</u>	<u>460,001</u>	<u>459,874</u>	<u>127</u>
Instructional Staff Training Services:					
Salaries of Other Professional Staff	7,856	(6,656)	1,200	378	822
Purchased Professional - Educational Services	39,711	14,165	53,876	53,876	
Other Purchased Services	14,295	(4,034)	10,261	9,214	1,047
Supplies and Materials	600	(200)	400	384	16
Total Instructional Staff Training Services	<u>62,462</u>	<u>3,275</u>	<u>65,737</u>	<u>63,852</u>	<u>1,885</u>
Support Services - General Administration:					
Salaries	272,677	(24,877)	247,800	247,786	14
Legal Services	53,158	(26,723)	26,435	26,434	1
Audit Fees	38,748	1,292	40,040	40,040	
Other Purchased Professional Services	8,800	(3,565)	5,235	5,152	83
Communications/Telephone	68,450	6,101	74,551	61,780	12,771
BOE Other Purchased Services	350	2,647	2,997	2,997	
Purchased Services	34,034	(4,107)	29,927	22,095	7,832
General Supplies	7,115	747	7,862	4,632	3,230
Miscellaneous Expenditures	3,200	(3,200)			
BOE Membership Dues and Fees	22,600	(12)	22,588	22,587	1
Total Support Services - General Administration	<u>509,132</u>	<u>(51,697)</u>	<u>457,435</u>	<u>433,503</u>	<u>23,932</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,105,776	\$ 7,384	\$ 1,113,160	\$ 1,113,160	
Salaries of Other Professional Staff	334,041	14,295	348,336	348,336	
Purchased Professional and Technical Services	14,427	2,700	17,127	14,877	\$ 2,250
Other Purchased Services	82,156	(585)	81,571	79,280	2,291
Supplies and Materials	10,311	(3,859)	6,452	5,696	756
Other Objects	7,916	323	8,239	8,239	
Total Support Services - School Administration	<u>1,554,627</u>	<u>20,258</u>	<u>1,574,885</u>	<u>1,569,588</u>	<u>5,297</u>
Central Services:					
Salaries	380,394	(67,293)	313,101	313,098	3
Purchased Professional Services	8,800	86,730	95,530	73,330	22,200
Purchased Technical Services	18,209	4,858	23,067	23,066	1
Miscellaneous Purchased Services	15,870	(4,342)	11,528	11,523	5
Supplies and Materials	5,150	3,858	9,008	8,376	632
Other Objects	1,715	(428)	1,287	1,287	
Total Central Services	<u>430,138</u>	<u>23,383</u>	<u>453,521</u>	<u>430,680</u>	<u>22,841</u>
Administration Information Technology:					
Salaries	77,745	37	77,782	77,780	2
Total Administration Information Technology	<u>77,745</u>	<u>37</u>	<u>77,782</u>	<u>77,780</u>	<u>2</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Required Maintenance of School Facilities:					
Salaries	\$ 92,013	\$ 10,238	\$ 102,251	\$ 102,247	\$ 4
Cleaning, Repair and Maintenance Services	281,380	209,035	490,415	334,488	155,927
General Supplies	19,650	(3,150)	16,500	16,474	26
Total Required Maintenance of School Facilities	393,043	216,123	609,166	453,209	155,957
Custodial Services:					
Salaries	1,129,146	(37,585)	1,091,561	1,091,559	2
Purchased Professional and Technical Services	38,000	(4,953)	33,047	24,831	8,216
Cleaning, Repair and Maintenance Services	81,675	18,404	100,079	95,997	4,082
Other Purchased Property Services	57,600	94,685	152,285	146,946	5,339
Insurance	196,350	55,024	251,374	235,611	15,763
General Supplies	122,900	21,053	143,953	135,940	8,013
Energy (Electricity)	679,527	(139,455)	540,072	534,125	5,947
Energy (Natural Gas)	371,000	(100,927)	270,073	258,521	11,552
Other Objects	4,003	3,149	7,152	7,095	57
Total Custodial Services	2,680,201	(90,605)	2,589,596	2,530,625	58,971
Care and Upkeep of Grounds:					
Salaries	94,470	(18,836)	75,634	75,634	
Cleaning, Repair & Maintenance Services	57,053	(18,279)	38,774	35,774	3,000
General Supplies	44,950	819	45,769	45,734	35
Total Care and Upkeep of Grounds	196,473	(36,296)	160,177	157,142	3,035

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation Services:					
Salaries Pupil Transportation Home and School Regular	\$ 258,967	\$ 76,382	\$ 335,349	\$ 333,448	\$ 1,901
Salaries Pupil Transportation (Other than Between Home and School)	66,000	(55,664)	10,336	10,336	
Cleaning, Repair, & Maintenance Services	35,500	(134)	35,366	35,280	86
Lease Purchase Payments - School Buses	98,799	(10,331)	88,468	88,467	1
Contracted Services:					
Transportation Services - Between Home and School	804,482	(45,507)	758,975	758,421	554
Transportation Services - Between Home and School Other	66,945	(4,885)	62,060	60,720	1,340
Transportation Services - Special Education-ESC's & CTSA's	495,057	(58,145)	436,912	430,027	6,885
Transportation Services - Aid in Lieu-Nonpublic Students	78,433	17,354	95,787	92,310	3,477
Transportation Supplies	62,432	(62,432)			
Miscellaneous Purchased Services- Transportation	15,600	(10,840)	4,760	950	3,810
Travel		35	35	34	1
Other Objects	644	65,439	66,083	60,398	5,685
Total Student Transportation Services	<u>1,982,859</u>	<u>(88,728)</u>	<u>1,894,131</u>	<u>1,870,391</u>	<u>23,740</u>
Unallocated Benefits:					
Social Security Contributions	377,325	63,381	440,706	440,705	1
Other Retirement Contributions - PERS	394,283	(58,408)	335,875	327,943	7,932
Unemployment Compensation	70,432	(70,431)	1		1
Workmen's Compensation	185,000	17,430	202,430	202,429	1
Health Benefits	4,369,689	(165,341)	4,204,348	4,194,652	9,696
Tuition Reimbursement	135,000	13,351	148,351	113,969	34,382
Other Employee Benefits	830	(484)	346	346	
Total Unallocated Benefits	<u>5,532,559</u>	<u>(200,502)</u>	<u>5,332,057</u>	<u>5,280,044</u>	<u>52,013</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 667,297	\$ (667,297)
On-Behalf TPAF Post Retirements Medical Benefits (Nonbudgeted)				1,094,116	(1,094,116)
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				1,253,251	(1,253,251)
Total On-Behalf Contributions				3,014,664	(3,014,664)
Total Personal Services - Employee Benefits	\$ 5,532,559	\$ (200,502)	\$ 5,332,057	8,294,708	(2,962,651)
Total Undistributed Expenses	18,514,065	(53,758)	18,460,307	21,097,868	(2,637,561)
TOTAL CURRENT EXPENSE	34,372,284	(100,925)	34,246,819	36,435,167	(2,188,349)
CAPITAL OUTLAY					
Equipment - Grades 9-12		69,127	69,127	35,761	33,366
Undistributed Expenditures - Non-instructional Services	6,000	184,017	190,017		190,017
Undistributed Expenditures - Required Maintenance for School Facilities	42,679	133,358	176,037	65,040	110,997
Total Equipment	48,679	386,502	435,181	100,801	334,380
Facilities Acquisition and Construction Services:					
Other Objects	89,560	(31,477)	58,083	58,083	
Total Facilities Acquisition and Construction Services	89,560	(31,477)	58,083	58,083	
TOTAL CAPITAL OUTLAY	138,239	355,025	493,264	158,884	334,380
TOTAL EXPENDITURES	34,510,523	254,100	34,740,083	36,594,051	(1,853,968)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(559,278)	(254,100)	(788,838)	570,723	1,359,561
Other Financing Sources/(Uses):					
Operating Transfer from Food Service Fund				183	183
Total Other Financing Sources/(Uses)				183	183

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ (559,278)	\$ (254,100)	\$ (788,838)	\$ 570,906	\$ 1,359,744
Fund Balance, July 1	2,174,005		2,174,005	2,174,005	
Fund Balance, June 30	<u>\$ 1,614,727</u>	<u>\$ (254,100)</u>	<u>\$ 1,385,167</u>	<u>\$ 2,744,911</u>	<u>\$ 1,359,744</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 300,100	
Excess Surplus - Current Year				161,565	
Excess Surplus - Prior Year's - For Subsequent Year's Expenditures				399,474	
Assigned:					
Year-end Encumbrances				1,015,955	
Unassigned				<u>867,817</u>	
				2,744,911	
Reconciliation to Governmental Funds Statements (GAAP):					
Final Two State Aid Payments not recognized on GAAP basis				<u>(138,149)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,606,762</u>	

Exhibit C-2

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 3,267	\$ (74)	\$ 3,193	\$ 3,005	\$ (188)
Federal Sources	407,036	35,228	442,264	440,831	(1,433)
Local Sources		14,366	14,366	12,466	(1,900)
Total Revenues	410,303	49,520	459,823	456,302	(3,521)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	48,044	(8,133)	39,911	39,911	
Tuition	347,227	41,128	388,355	388,355	
Other Purchased Services	790	(790)			
General Supplies	332	1,088	1,420	1,415	5
Textbooks	898	254	1,152	969	183
Other Objects	11,765	2,601	14,366	12,466	1,900
Total Instruction	409,056	36,148	445,204	443,116	2,088
Support Services:					
Personal Services - Employee Benefit		6,891	6,891	5,458	1,433
Purchased Professional Services	1,247	6,481	7,728	7,728	
Total Support Services	1,247	13,372	14,619	13,186	1,433
Total Expenditures	410,303	49,520	459,823	456,302	3,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 37,164,774	\$ 456,302
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		3,073
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	127,179	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(138,149)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 37,153,804	\$ 459,375
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 36,594,051	\$ 456,302
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		3,073
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 36,594,051	\$ 459,375

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2014, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>No Child Left Behind</u>		<u>IDEA Part B Basic</u>	<u>IDEA Part B Preschool</u>	<u>Non-Public Nursing</u>	<u>Non-Public Technology</u>
	<u>Title IIA</u>	<u>Title IIA Carryover</u>				
REVENUE:						
State Sources					\$ 1,621	\$ 415
Federal Sources	\$ 34,721	\$ 703	\$ 389,355	\$ 16,052		
Local Sources						
Total Revenue	<u>34,721</u>	<u>703</u>	<u>389,355</u>	<u>16,052</u>	<u>1,621</u>	<u>415</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	25,000			14,911		
Tuition			388,355			
Other Purchased Services						
General Supplies			1,000			415
Total Instruction	<u>25,000</u>		<u>389,355</u>	<u>14,911</u>		<u>415</u>
Support Services:						
Personal Service - Employee Benefit	4,317			1,141		
Purchased Professional Services	5,404	703			1,621	
Total Support Services	<u>9,721</u>	<u>703</u>		<u>1,141</u>	<u>1,621</u>	
Total Expenditures	<u>\$ 34,721</u>	<u>\$ 703</u>	<u>\$ 389,355</u>	<u>\$ 16,052</u>	<u>\$ 1,621</u>	<u>\$ 415</u>

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Non-Public Textbook	Rochking Wagner Fund	NEA Student Achievement Grant	Totals June 30, 2014
REVENUE:				
State Sources	\$ 969			\$ 3,005
Federal Sources				440,831
Local Sources		\$ 8,600	\$ 3,866	12,466
Total Revenue	969	8,600	3,866	456,302
EXPENDITURES:				
Instruction:				
Salaries of Teachers				39,911
Tuition				388,355
General Supplies				1,415
Textbooks	969			969
Other Miscellaneous		8,600	3,866	12,466
Total Instruction	969	8,600	3,866	443,116
Support Services:				
Personal Service - Employee Benefit				5,458
Purchased Professional Services				7,728
Total Support Services				13,186
Total Expenditures	\$ 969	\$ 8,600	\$ 3,866	\$ 456,302

Exhibit E-2

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

CAPITAL PROJECTS FUND
(Not Applicable)

PROPRIETARY FUNDS

Exhibit G-1

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

<u>ASSETS:</u>	Food Service	Enrichment Program	Total Enterprise Funds
Current Assets:			
Cash and Cash Equivalents	\$ 72,380	\$ 123,215	\$ 195,595
Accounts Receivable:			
Federal	3,870		3,870
State	274		274
Inventories	8,262		8,262
Total Current Assets	<u>84,786</u>	<u>123,215</u>	<u>208,001</u>
Non-Current Assets:			
Capital Assets	388,942		388,942
Less: Accumulated Depreciation	<u>(309,160)</u>		<u>(309,160)</u>
Total Non-Current Assets	<u>79,782</u>		<u>79,782</u>
Total Assets	<u>164,568</u>	<u>123,215</u>	<u>287,783</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Interfund Payable	14		14
Unearned Revenue	452		452
Total Current Liabilities	<u>466</u>		<u>466</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	79,782		79,782
Unrestricted	<u>84,320</u>	<u>123,215</u>	<u>207,535</u>
Total Net Position	<u>\$ 164,102</u>	<u>\$ 123,215</u>	<u>\$ 287,317</u>

Exhibit G-2

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Food Service	Enrichment Program	Total Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 224,972		\$ 224,972
Daily Sales - Non-Reimbursable Programs	221,604		221,604
Program Fees		\$ 274,399	274,399
Total Operating Revenue	446,576	274,399	720,975
Operating Expenses:			
Cost of Sales	254,998		254,998
Salaries, Benefits & Payroll Taxes	219,602	166,447	386,049
Employee Benefits	16,339	10,450	26,789
Management Fee	15,952		15,952
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,814	32,986	34,800
Administrative Expenses	6,032	24,794	30,826
Total Operating Expenses	528,907	234,677	763,584
Operating Income/(Loss)	(82,331)	39,722	(42,609)
Non-Operating Income:			
Local Sources:			
Interest Income	197	234	431
State Sources:			
State School Lunch Program	3,414		3,414
Federal Sources:			
National School Lunch Program	50,769		50,769
Food Distribution Program	17,554		17,554
Total Non-Operating Income	71,934	234	72,168
Net Income/(Loss) Before Operating Transfers	(10,397)	39,956	29,559
Operating Transfers Out - General Fund	(183)		(183)
Change in Net Position	(10,580)	39,956	29,376
Net Position - Beginning of Year	174,682	83,259	257,941
Net Position - End of Year	\$ 164,102	\$ 123,215	\$ 287,317

Exhibit G-3

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Food Service</u>	<u>Enrichment Program</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 546,309	\$ 274,399	\$ 820,708
Payments to Employees	(219,602)	(166,447)	(386,049)
Payments for Benefits	(16,339)	(10,450)	(26,789)
Payments to Suppliers	(278,971)	(32,986)	(311,957)
Payments for Administrative Expenses	(24,794)	(24,794)	(24,794)
Net Cash Provided by by Operating Activities	<u>31,397</u>	<u>39,722</u>	<u>71,119</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	56,804		56,804
Operating Transfer Out - General Fund	(183)		(183)
Net Cash Provided by Noncapital Financing Activities	<u>56,621</u>		<u>56,621</u>
Cash Flows from Investing Activities:			
Interest Earned	197	234	431
Net Cash Flows Provided by Investing Activities	<u>197</u>	<u>234</u>	<u>431</u>
Net Increase in Cash and Cash Equivalents	88,215	39,956	128,171
Cash and Cash Equivalents, July 1	<u>(15,835)</u>	<u>83,259</u>	<u>67,424</u>
Cash and Cash Equivalents, June 30	<u>\$ 72,380</u>	<u>\$ 123,215</u>	<u>\$ 195,595</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by by Operating Activities:			
Operating Income/(Loss)	\$ (82,331)	\$ 39,722	\$ (42,609)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by Operating Activities:			
Federal Food Distribution Program	17,554		17,554
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Inventory	(1)		(1)
Decrease/(Increase) in Interfund Receivable	83,285		83,285
Increase/(Decrease) in Interfund Payable	(14)		(14)
Increase/(Decrease) in Unearned Revenue	(1,091)		(1,091)
Net Cash Provided by Operating Activities	<u>\$ 31,397</u>	<u>\$ 39,722</u>	<u>\$ 71,119</u>

Investing and Financing Activities:

The District had \$1,543 in USDA donated commodities at June 30, 2013, received commodities valued at \$16,463 and used commodities valued at \$17,554 and had \$452 in commodities at June 30, 2014.

FIDUCIARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency		Totals
			Student Activity	Payroll	
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 134,175	\$ 2,233	\$ 251,868	\$ 51,777	\$ 440,053
Investments		100,000			100,000
Total Assets	<u>134,175</u>	<u>102,233</u>	<u>251,868</u>	<u>51,777</u>	<u>540,053</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings				253	253
Interfund Payable General Fund				51,524	51,524
Due to Student Groups			251,868		251,868
Total Liabilities			<u>251,868</u>	<u>51,777</u>	<u>303,645</u>
<u>NET POSITION:</u>					
Held in Trust for Unemployment Claims	134,175				134,175
Restricted for Scholarships		102,233			102,233
Total Net Position	<u>\$ 134,175</u>	<u>\$ 102,233</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 236,408</u>

Exhibit H-2

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:			
Contributions:			
Plan Members	\$ 57,347		\$ 57,347
Donations		\$ 60,000	60,000
Total Contributions	57,347	60,000	117,347
Investment Earnings:			
Interest	271	364	635
Net Investment Earnings	271	364	635
Total Additions	57,618	60,364	117,982
DEDUCTIONS:			
Unemployment Compensation Claims	54,232		54,232
Scholarships Awarded		60,495	60,495
Total Deductions	54,232	60,495	114,727
Change in Net Position	3,386	(131)	3,255
Net Position - Beginning of the Year	130,789	102,364	233,153
Net Position - End of the Year	\$ 134,175	\$ 102,233	\$ 236,408

Exhibit H-3

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 267,065	\$ 483,560	\$ 498,757	\$ 251,868
Total Assets	<u>\$ 267,065</u>	<u>\$ 483,560</u>	<u>\$ 498,757</u>	<u>\$ 251,868</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 267,065	\$ 483,560	\$ 498,757	\$ 251,868
Total Liabilities	<u>\$ 267,065</u>	<u>\$ 483,560</u>	<u>\$ 498,757</u>	<u>\$ 251,868</u>

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY BY SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 20,023	\$ 20,953	\$ 20,634	\$ 20,342
Stony Brook School Activity Account	55,474	81,488	93,245	43,717
Pearl R. Miller Middle School Activity Account	33,698	88,662	88,516	33,844
Kinnelon High School Activity Account	154,498	219,202	230,635	143,065
Kinnelon High School Athletic Account	3,372	73,255	65,727	10,900
	<u>\$ 267,065</u>	<u>\$ 483,560</u>	<u>\$ 498,757</u>	<u>\$ 251,868</u>

Exhibit H-5

KINNELON BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 40,507	\$ 25,196,442	\$ 25,185,172	\$ 51,777
Total Assets	<u>\$ 40,507</u>	<u>\$ 25,196,442</u>	<u>\$ 25,185,172</u>	<u>\$ 51,777</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 20,624	\$ 25,164,801	\$ 25,185,172	\$ 253
Interfund Payable General Fund	19,883	31,641		51,524
Total Liabilities	<u>\$ 40,507</u>	<u>\$ 25,196,442</u>	<u>\$ 25,185,172</u>	<u>\$ 51,777</u>

LONG-TERM DEBT

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2013	Matured	Balance June 30, 2014
			Outstanding June 30, 2014						
			Date	Amount					
Refunding Bond of 1998 Issue	11/16/05	\$ 4,615,000	10/01/14	\$ 530,000	3.63%	\$ 2,610,000	\$ 520,000	\$ 2,090,000	
			10/01/15	525,000	3.75%				
			10/01/16	520,000	4.00%				
			10/01/17	515,000	4.00%				
Improvements to High School	12/27/06	6,325,000	02/01/15	15,000	4.00%	6,265,000	10,000	6,255,000	
			02/01/16	15,000	4.00%				
			02/01/17	15,000	4.00%				
			02/01/18	20,000	4.00%				
			02/01/19	40,000	4.00%				
			02/01/20	40,000	4.00%				
			02/01/21	50,000	4.00%				
			02/01/22	50,000	4.00%				
			02/01/23	70,000	4.20%				
			02/01/24	100,000	4.20%				
			02/01/25	500,000	4.20%				
			02/01/26	550,000	4.20%				
			02/01/27	600,000	4.20%				
			02/01/28	650,000	4.20%				
			02/01/29	680,000	4.20%				
			02/01/30	700,000	4.25%				
02/01/31	710,000	4.25%							
02/01/32	720,000	4.25%							
02/01/33	730,000	4.25%							

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2014		Interest Rate	Balance June 30, 2013	Matured	Balance June 30, 2014
			Date	Amount				
Improvements to High School	1/24/07	\$ 6,329,000	02/01/15	\$ 15,000	4.20%	\$ 6,269,000	\$ 10,000	\$ 6,259,000
			02/01/16	15,000	4.20%			
			02/01/17	15,000	4.20%			
			02/01/18	20,000	4.20%			
			02/01/19	40,000	4.20%			
			02/01/20	40,000	4.20%			
			02/01/21	50,000	4.20%			
			02/01/22	50,000	4.20%			
			02/01/23	70,000	4.20%			
			02/01/24	100,000	4.20%			
			02/01/25	500,000	4.20%			
			02/01/26	550,000	4.20%			
			02/01/27	600,000	4.20%			
			02/01/28	650,000	4.20%			
			02/01/29	680,000	4.20%			
02/01/30	700,000	4.20%						
02/01/31	710,000	4.20%						
02/01/32	720,000	4.20%						
02/01/33	734,000	4.20%						
Refunding Bond of 2002 Issue	09/14/10	9,980,000	10/01/14	795,000	3.00%	9,860,000	770,000	9,090,000
			10/01/15	825,000	3.00%			
			10/01/16	855,000	4.00%			
			10/01/17	895,000	4.00%			
			10/01/18	940,000	4.00%			
			10/01/19	975,000	4.00%			
			10/01/20	970,000	4.00%			
			10/01/21	960,000	3.00%			
			10/01/22	945,000	3.125%			
			10/01/23	930,000	3.25%			
						<u>\$ 25,004,000</u>	<u>\$ 1,310,000</u>	<u>\$ 23,694,000</u>

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2013</u>	<u>Matured</u>	<u>Balance June 30, 2014</u>
2010 Buses (3)	5.20%	\$ 270,852	\$ 56,832	\$ 56,832	\$ -
			<u>\$ 56,832</u>	<u>\$ 56,832</u>	<u>\$ -</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,162,403		\$ 2,162,403	\$ 2,162,403	
State Sources:					
Debt Service Type II Aid	68,553		68,553	68,553	
Total Revenue	<u>2,230,956</u>		<u>2,230,956</u>	<u>2,230,956</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	951,179		951,179	951,179	
Redemption of Principal	1,310,000		1,310,000	1,310,000	
Total Regular Debt Service	<u>2,261,179</u>		<u>2,261,179</u>	<u>2,261,179</u>	
Total Expenditures	<u>2,261,179</u>		<u>2,261,179</u>	<u>2,261,179</u>	
Deficiency of Revenue Under Expenditures	(30,223)		(30,223)	(30,223)	
Fund Balance, July 1	<u>3</u>	\$ -0-	<u>3</u>	<u>30,223</u>	\$ <u>30,220</u>
Fund Balance, June 30	<u>\$ (30,220)</u>	<u>\$ -0-</u>	<u>\$ (30,220)</u>	<u>\$ -0-</u>	<u>\$ 30,220</u>

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

This part of the District'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 District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

KINNELON BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
Governmental activities										
Net Investment in capital assets	\$18,411,986	\$18,059,861	\$ 6,300,840	\$13,665,081	\$17,877,438	\$18,555,613	\$18,157,140	\$18,680,587	\$19,148,508	\$19,254,575
Restricted	1,599,054	1,236,471	12,706,992	5,379,249	730,715	520,683	941,498	30,223	30,223	861,139
Unrestricted/(Deficit)	277,267	78,714	(58,683)	(508,473)	(796,530)	(846,449)		1,888,392	1,738,222	1,410,980
Total governmental activities net position	<u>\$20,288,307</u>	<u>\$19,375,046</u>	<u>\$18,949,149</u>	<u>\$18,535,857</u>	<u>\$17,811,623</u>	<u>\$18,229,847</u>	<u>\$19,098,638</u>	<u>\$20,599,202</u>	<u>\$20,916,953</u>	<u>\$21,526,694</u>
Business-type activities										
Net Investment in capital assets	\$ 149,493	\$ 135,167	\$ 137,047	\$ 129,984	\$ 135,895	\$ 119,332	\$ 108,116	\$ 107,321	\$ 93,777	\$ 79,782
Unrestricted	184,116	106,383	152,279	129,200	143,708	104,987	106,940	138,959	164,164	207,535
Total business-type activities net position	<u>\$ 333,609</u>	<u>\$ 241,550</u>	<u>\$ 289,326</u>	<u>\$ 259,184</u>	<u>\$ 279,603</u>	<u>\$ 224,319</u>	<u>\$ 215,056</u>	<u>\$ 246,280</u>	<u>\$ 257,941</u>	<u>\$ 287,317</u>
District-wide										
Net Investment in capital assets	\$18,561,479	\$18,195,028	\$ 6,437,887	\$13,795,065	\$18,013,333	\$18,674,945	\$18,265,256	\$18,787,908	\$19,242,285	\$19,334,357
Restricted	1,599,054	1,236,471	12,706,992	5,379,249	730,715	520,683	470,825	30,223	30,223	861,139
Unrestricted/(Deficit)	461,383	185,097	93,596	(379,273)	(652,822)	(741,462)	577,613	2,027,351	1,902,386	1,618,515
Total district net position	<u>\$20,621,916</u>	<u>\$19,616,596</u>	<u>\$19,238,475</u>	<u>\$18,795,041</u>	<u>\$18,091,226</u>	<u>\$18,454,166</u>	<u>\$19,313,694</u>	<u>\$20,845,482</u>	<u>\$21,174,894</u>	<u>\$21,814,011</u>

* Restated

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
Instruction										
Regular	\$ 12,673,227	\$ 12,830,196	\$ 15,007,235	\$ 15,912,755	\$ 15,335,444	\$ 16,655,387	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637	\$ 16,435,098
Special education	2,371,051	2,529,013	2,704,146	2,973,914	3,245,341	3,276,930	3,520,191	3,720,193	3,911,881	3,852,677
Other special education	316,399	361,485	351,709	377,798	468,724	361,522	286,979	283,982	395,358	488,137
Other instruction	796,864	802,779	1,045,515	1,110,211	1,270,013	1,355,196	1,129,720	1,170,137	1,246,967	1,096,947
Support Services:										
Tuition	920,566	1,245,811	1,243,291	1,140,654	1,120,189	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863
Student & instruction related services	3,600,534	3,650,866	4,169,442	4,697,772	4,885,481	5,219,338	4,496,137	4,888,666	5,244,472	5,511,218
General and business administrative services	677,869	705,126	724,721	856,882	831,006	97,604	676,984	102,026	603,063	559,512
School Administrative Services	1,558,213	1,747,328	2,059,884	2,045,940	2,086,520	2,134,377	2,126,715	581,074	2,295,163	2,263,211
Central Services	474,128	474,337	529,430	569,973	529,025	565,133	566,110	2,124,580	571,202	550,833
Administrative Technology Information	138,272	187,804	207,848	218,278	216,563	219,361	122,051	591,272	109,973	107,629
Plant operations and maintenance	2,608,316	3,493,332	3,322,587	3,630,573	3,617,395	3,519,895	3,356,498	3,298,665	3,803,463	3,766,137
Pupil transportation	1,914,488	1,946,114	2,196,806	2,175,475	2,193,848	1,711,237	2,031,790	1,918,266	1,922,290	1,954,847
Business and other support services	37,413									
Interest on long-term debt	1,071,192	871,883	949,586	1,455,369	1,365,241	1,278,267	973,545	1,121,860	1,055,853	979,029
Unallocated depreciation	1,096,923	1,019,914								
Capital Outlay		695,729	1,043,604	510,627	237,017	65,151	72,775	42,322	58,083	60,439
Total governmental activities expenses	30,255,455	32,561,717	35,555,804	37,676,221	37,401,807	37,476,151	35,796,478	36,911,696	39,544,506	39,234,577
Business-type activities:										
Food service	561,781	705,434	622,114	660,307	634,915	647,943	617,556	592,740	578,749	528,907
Enrichment Program	118,938	127,500	103,425	153,150	142,260	146,620	145,497	127,288	146,572	234,677
Total business-type activities expense	680,719	832,934	725,539	813,457	777,175	794,563	763,053	720,028	725,321	763,584
Total district expenses	\$ 30,936,174	\$ 33,394,651	\$ 36,281,343	\$ 38,489,678	\$ 38,178,982	\$ 38,270,714	\$ 36,559,531	\$ 37,631,724	\$ 40,269,827	\$ 39,998,161
Program Revenues										
Governmental activities:										
Operating grants and contributions	\$ 4,555,347	\$ 4,783,161	\$ 5,822,548	\$ 6,196,237	\$ 5,104,268	\$ 5,729,384	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053	\$ 5,208,200
Total governmental activities program revenues	4,555,347	4,783,161	5,822,548	6,196,237	5,104,268	5,729,384	3,745,734	4,804,944	5,672,053	5,208,200
Business-type activities:										
Charges for services										
Food service	603,672	608,489	618,672	591,315	575,501	558,484	537,947	531,592	458,163	446,576
Enrichment Program	123,064	128,481	118,720	146,269	167,388	118,514	159,806	136,362	194,639	274,399
Operating grants and contributions	29,411	27,648	34,678	44,786	54,263	62,010	58,399	83,173	84,037	71,737
Total business type activities program revenues	756,147	764,618	772,070	782,370	797,152	739,008	756,152	751,127	736,839	792,712
Total district program revenues	\$ 5,311,494	\$ 5,547,779	\$ 6,594,618	\$ 6,978,607	\$ 5,901,420	\$ 6,468,392	\$ 4,501,886	\$ 5,556,071	\$ 6,408,892	\$ 6,000,912

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (25,700,108)	\$ (27,778,556)	\$ (29,733,256)	\$ (31,479,984)	\$ (32,297,539)	\$ (31,746,767)	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)	\$ (34,026,377)
Business-type activities	75,428	(68,316)	46,531	(31,087)	19,977	(55,535)	(6,901)	31,099	11,518	29,128
Total district-wide net expense	\$ (25,624,680)	\$ (27,846,872)	\$ (29,686,725)	\$ (31,511,071)	\$ (32,277,562)	\$ (31,802,322)	\$ (32,057,645)	\$ (32,075,653)	\$ (33,860,935)	\$ (33,997,249)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 22,485,302	\$ 24,524,140	\$ 26,031,655	\$ 27,389,220	\$ 28,468,788	\$ 29,599,802	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023	\$ 32,102,343
Taxes levied for debt service	2,326,191	2,303,969	2,211,617	2,728,262	2,762,724	2,732,132	2,469,272	2,434,758	2,662,364	2,162,403
SDA Grant			566,121							
Federal and State Aid Not Restricted				85,846	81,256	81,135	68,862	68,759	68,656	68,553
Investment earnings	117,005	142,339	209,555							
Miscellaneous income	100,376	100,442	282,023	859,029	259,276	151,174	281,312	401,588	262,855	302,636
Transfers		30,000	6,388	4,335	1,261	748	106	228	134	183
Extraordinary Item:										
Adjustment to Fixed Assets per appraisal										
Company Report	12,053,317									
Total governmental activities	\$ 37,082,191	\$ 27,100,890	\$ 29,307,359	\$ 31,066,692	\$ 31,573,305	\$ 32,564,991	\$ 32,919,535	\$ 33,607,316	\$ 34,310,032	\$ 34,636,118
Business-type activities:										
Miscellaneous income	4,330	6,257	7,633	5,280	1,703	1,019	144	353	277	431
Transfers		(30,000)	(6,388)	(4,335)	(1,261)	(748)	(106)	(228)	(134)	(183)
Special Item - Disposal of Capital Assets							(2,400)			
Total business-type activities	4,330	(23,743)	1,245	945	442	271	(2,362)	125	143	248
Total district-wide	\$ 37,086,521	\$ 27,077,147	\$ 29,308,604	\$ 31,067,637	\$ 31,573,747	\$ 32,565,262	\$ 32,917,173	\$ 33,607,441	\$ 34,310,175	\$ 34,636,366
Change in Net Position										
Governmental activities	\$ 11,382,083	\$ (677,666)	\$ (425,897)	\$ (413,292)	\$ (724,234)	\$ 818,224	\$ 868,791	\$ 1,500,564	\$ 437,579	\$ 609,741
Business-type activities	79,758	(92,059)	47,776	(30,142)	20,419	(55,284)	(9,263)	31,224	11,661	29,376
Total district	\$ 11,461,841	\$ (769,725)	\$ (378,121)	\$ (443,434)	\$ (703,815)	\$ 762,940	\$ 859,528	\$ 1,531,788	\$ 449,240	\$ 639,117

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 420,803	\$ 236,225	\$ 314,397	\$ 145,754	\$ 137,882	\$ 165,652				
Unreserved	999,787	882,074	793,819	796,235	193,947	222,562				
Restricted							\$ 100	\$ 100	\$ 699,574	\$ 861,139
Assigned							187,417	1,195,155	559,278	1,015,955
Unassigned							684,073	818,010	787,974	729,668
Total general fund	<u>\$1,420,590</u>	<u>\$1,118,299</u>	<u>\$ 1,108,216</u>	<u>\$ 941,989</u>	<u>\$331,829</u>	<u>\$388,214</u>	<u>\$871,590</u>	<u>\$2,013,265</u>	<u>\$2,046,826</u>	<u>\$2,606,762</u>
All Other Governmental Funds										
Reserved	\$ 215,926	\$ 62,275	\$ 534,741	\$3,143,487	\$ 47,153	\$ 47,153				
Unreserved, reported in:										
Capital projects fund	962,325	790,448	11,857,954	2,090,008	545,680	307,878				
Debt service fund		41,711	2	1						
Restricted:										
Capital projects fund							\$ 30,220	\$ 30,220		
Debt service fund							248,513	3	\$ 30,223	
Assigned							4,575			
Total all other governmental funds	<u>\$1,178,251</u>	<u>\$ 894,434</u>	<u>\$12,392,697</u>	<u>\$5,233,496</u>	<u>\$592,833</u>	<u>\$355,031</u>	<u>\$283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>	<u>\$ -</u>

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax levy	\$ 24,811,493	\$ 26,828,109	\$ 28,243,272	\$ 30,117,482	\$ 31,231,512	\$ 32,331,934	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387	\$ 34,264,746
Tuition charges		34,510	100,681	64,400	130,092	64,752	47,928	156,675	84,297	155,734
Interest earnings	117,005	142,339	210,600	673,137	52,235	11,546	1,685	4,653	5,406	6,464
Miscellaneous	100,376	135,581	183,464	121,592	78,775	74,876	231,699	240,260	173,786	152,904
State sources	4,138,905	4,282,632	5,928,512	5,800,572	4,631,973	4,822,198	3,335,157	4,325,529	5,245,522	4,820,383
Federal sources	416,442	430,380	456,990	481,411	551,724	988,321	479,439	548,174	494,553	443,904
Total revenue	29,584,221	31,853,551	35,123,519	37,258,594	36,676,311	38,293,627	36,665,163	38,412,032	39,981,951	39,844,135
Expenditures										
Instruction										
Regular Instruction	9,883,320	9,961,258	10,680,533	11,314,016	11,327,115	12,232,020	10,869,832	11,042,708	11,720,334	11,497,005
Special education instruction	1,698,942	1,861,017	1,855,713	2,082,524	2,476,642	2,470,204	2,628,229	2,733,414	2,819,184	2,809,534
Other special instruction	241,556	361,485	351,709	377,798	357,376	272,341	212,823	207,422	282,917	353,665
Other instruction	643,160	687,803	790,192	874,448	878,661	937,129	751,417	782,038	826,625	734,929
Support Services:										
Tuition	920,566	1,245,811	1,243,291	1,140,654	1,385,804	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863
Student & instruction related services	2,954,075	2,956,043	3,304,619	3,778,115	3,587,665	4,031,472	3,425,483	3,687,609	4,014,250	4,072,920
General administrative services	592,445	596,819	522,939	651,826	572,377	487,160	535,278	565,516	467,569	433,503
School Administrative services	1,189,995	1,376,835	1,414,294	1,412,476	1,506,464	1,525,664	1,502,618	1,543,675	1,578,497	1,569,588
Central Services	342,023	367,143	384,432	415,781	411,526	436,387	431,026	443,326	434,140	430,680
Administrative Information Technology	138,273	144,481	150,968	157,791	164,892	73,340	95,981	74,440	78,594	77,780
Plant operations and maintenance	2,289,393	2,768,877	2,478,372	2,758,317	3,040,542	2,927,873	2,783,023	2,744,340	3,167,677	3,140,976
Pupil transportation	1,914,488	1,940,763	2,122,058	2,116,683	2,172,107	1,869,729	1,870,801	1,838,348	1,831,095	1,870,391
Business and other support services	6,205									
Allocated Benefits		3,279,344	3,652,370							
Unallocated Benefits	5,022,995	2,268,535	3,329,300	7,424,342	6,517,573	7,104,604	7,143,643	7,681,270	8,494,168	8,294,708
Capital outlay	37,176	391,187	1,761,611	7,269,477	4,685,670	277,849	143,011	72,376	107,353	158,884
Debt service:										
Principal	1,255,000	1,285,000	1,330,000	1,385,000	1,505,000	1,535,000	1,570,000	1,670,000	1,715,000	1,310,000
Interest and other charges	1,071,192	977,258	923,326	1,429,109	1,338,981	1,278,267	973,545	1,082,027	1,016,020	951,179
Total expenditures	30,200,804	32,469,659	36,295,727	44,588,357	41,928,395	38,475,792	36,253,616	37,523,670	39,948,524	39,314,605
Excess (Deficiency) of revenues over (under) expenditures	(616,583)	(616,108)	(1,172,208)	(7,329,763)	(5,252,084)	(182,165)	411,547	888,362	33,427	529,530

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing sources (uses)										
Bond Proceeds			12,654,000							
Transfers in		30,000	7,433	603,843	1,261	748	106	228	134	183
Transfers out			(1,045)	(599,508)						
Total other financing sources (uses)		30,000	12,660,388	4,335	1,261	748	106	228	134	183
Net change in fund balances	\$ (616,583)	\$ (586,108)	\$ 11,488,180	\$ (7,325,428)	\$ (5,250,823)	\$ (181,417)	\$ 411,653	\$ 888,590	\$ 33,561	\$ 529,713
Debt service as a percentage of noncapital expenditures	7.702%	7.052%	6.620%	8.156%	8.268%	7.951%	7.578%	7.931%	7.359%	6.129%

Source: School District Financial Reports

Exhibit J-5

KINNELON BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2005	\$ 94,302			\$ 100,376	\$ 194,678
2006	142,339	\$ 34,510		65,432	242,281
2007	209,555	100,681		180,297	490,533
2008	73,629	64,400	\$ 60,581	60,911	259,521
2009	52,325	130,092	41,562	37,123	261,102
2010	11,546	64,752	39,157	35,719	151,174
2011	1,685	47,928	17,237	210,538	277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636

Source: Borough of Kinnelon School District records

KINNELON BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE YEARS
UNAUDITED

<u>Year Ended</u> <u>December 31,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Regular</u>	<u>Farm</u> <u>Qualified</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Total Assessed</u> <u>Value</u>	<u>Public</u> <u>Utilities</u> ^a	<u>Net Valuation</u> <u>Taxable</u>	<u>Total Direct</u> <u>School Tax</u> <u>Rate</u> ^b	<u>Estimated Actual</u> <u>(County Equalized</u> <u>Value)</u>
2005	\$ 73,775,700	\$ 1,414,143,100	\$ 2,688,600	\$ 60,700	\$ 56,188,500	\$ 19,965,800	\$ 1,566,822,400	\$ 1,992,371	\$ 1,568,814,771	\$ 1.627	\$ 1,795,838,074
2006	54,674,400	1,454,945,000	3,156,600	194,900	54,332,000	18,360,100	1,585,663,000	1,766,281	1,587,429,281	1.703	1,958,594,455
2007	44,023,500	1,512,760,000	3,156,600	65,700	62,329,400	18,360,100	1,640,695,300	1,662,978	1,616,634,578	1.778	2,171,671,798
2008	41,568,100	1,535,171,700	3,156,600	21,400	61,800,100	18,360,100	1,660,078,000	1,677,327	1,661,755,327	1.846	2,411,517,948
2009	37,640,800	1,545,303,500	4,018,300	22,800	59,597,300	18,360,100	1,664,942,800	1,793,165	1,666,735,965	1.907	2,464,348,279
2010*	32,726,300	1,533,542,400	4,018,300	18,900	59,597,300	18,360,100	1,648,263,300	1,806,607	1,650,069,907	1.217	2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.013	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.128	2,039,419,412

*-Revaluation Year

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Exhibit J-7

KINNELON BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Kinnelon	Morris County	
2004	\$ 1.402	\$ 0.139	\$ 1.541	\$ 0.418	\$ 0.321	\$ 2.280
2005	1.481	0.146	1.627	0.437	0.326	2.390
2006	1.557	0.146	1.703	0.451	0.336	2.490
2007	1.628	0.150	1.778	0.466	0.356	2.600
2008	1.681	0.165	1.846	0.473	0.345	2.664
2009	1.746	0.161	1.907	0.485	0.336	2.728
2010*	1.810	0.157	1.967	0.511	0.329	2.807
2011	1.865	0.148	2.013	0.531	0.330	2.874
2012	1.919	0.163	2.082	0.555	0.330	2.967
2013	2.000	0.128	2.128	0.582	0.330	3.040

* - Revaluation year

Source: Municipal Tax Collector and School Business Administrator

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

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

KINNELON BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2013			Taxpayer	2004		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Multi-family Housing	\$ 17,609,600	1	1.10%	Business #1	\$ 14,954,600	1	0.98%
Commercial Property	10,000,000	2	0.62%	Business #2	12,994,800	2	0.85%
Commercial Property	9,750,000	3	0.61%	Business #3	12,535,900	3	0.82%
Commercial Property	4,000,800	4	0.25%	Business #4	10,298,500	4	0.67%
Vacant Land	3,365,100	5	0.21%	Business #5	6,119,900	5	0.40%
Residential Property	3,184,600	6	0.20%	Business #6	4,936,300	6	0.32%
Commercial Property	2,777,700	7	0.17%	Business #7	4,468,500	7	0.29%
Residential Property	2,604,800	8	0.16%	Borough of Butler	4,206,600	8	0.27%
Commercial Property	2,493,000	9	0.16%	Business #8	2,968,300	9	0.19%
Residential Property	2,357,300	10	0.15%	Business #9	2,819,800	10	0.18%
Total	<u>\$58,142,900</u>		<u>3.63%</u>		<u>\$ 76,303,200</u>		<u>4.98%</u>

Source: Municipal Tax Assessor

Exhibit J-9

KINNELON BOROUGH SCHOOL DISTRICT
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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 24,811,493	\$ 24,811,493	100.00%	-0-
2006	26,828,109	26,828,109	100.00%	-0-
2007	28,243,272	28,243,272	100.00%	-0-
2008	30,117,482	30,117,482	100.00%	-0-
2009	31,231,512	31,231,512	100.00%	-0-
2010	32,331,934	32,331,934	100.00%	-0-
2011	32,569,255	32,569,255	100.00%	-0-
2012	33,136,741	33,136,741	100.00%	-0-
2013	33,978,387	33,978,387	100.00%	-0-
2014	34,264,746	34,264,746	100.00%	-0-

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

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

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 23,658,000	-0-	-0-	-0-	-0-	\$ 23,658,000	4.13%	\$ 2,510	
2006	22,582,000	-0-	-0-	-0-	-0-	22,582,000	3.78%	2,380	
2007	33,906,000	-0-	\$ 476,841	-0-	-0-	34,382,841	5.34%	3,629	
2008	32,521,000	-0-	361,132	-0-	-0-	32,882,132	4.86%	3,462	
2009	31,016,000	-0-	110,617	-0-	-0-	31,126,617	4.41%	3,264	
2010	29,481,000	-0-	267,600	-0-	-0-	29,748,600	4.60%	3,108	
2011	28,389,000	-0-	162,229	-0-	-0-	28,551,229	3.99%	2,784	
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.63%	2,604	
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.25%	2,409	
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	3.08%	2,278	

Source: School District Financial Reports

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

- ^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Exhibit J-11

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2005	\$ 23,658,000		\$ 23,658,000	1.508%	\$ 2,510
2006	22,582,000		22,582,000	1.439%	2,380
2007	33,906,000		33,906,000	2.136%	3,578
2008	32,521,000		32,521,000	2.012%	3,424
2009	31,016,000		31,016,000	1.866%	3,253
2010	29,481,000		29,481,000	1.769%	3,080
2011	28,389,000		28,389,000	1.720%	2,768
2012	26,719,000		26,719,000	1.638%	2,593
2013	25,004,000		25,004,000	1.552%	2,403
2014	23,694,000		23,694,000	1.478%	2,278

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
 These ratios are calculated using information from the prior calendar year.

a See Exhibit J-6 for property tax data.

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

Exhibit J-12

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 19,594,697	100.000%	\$ 19,594,697
Morris County General Obligation Debt	246,098,950	2.027%	<u>4,988,672</u>
Subtotal, overlapping debt			24,583,369
Kinnelon School District Direct Debt			<u>23,714,000</u>
Total direct and overlapping debt			<u>\$ 48,297,369</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

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

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

Exhibit J-13

KINNELON BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Equalized valuation basis

2013	\$ 2,039,419,412
2012	2,117,422,678
2011	2,212,699,485
	<u>\$ 6,369,541,575</u>

Average equalized valuation of taxable property	\$ 2,123,180,525
Debt limit (4% of average equalization value)	84,927,221 ^a
Net bonded school debt	<u>23,694,000</u>
Legal debt margin	<u>\$ 61,233,221</u>

Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 70,749,841	\$ 77,790,723	\$ 85,751,577	\$ 92,420,076	\$ 96,825,364
Total net debt applicable to limit	<u>23,658,000</u>	<u>22,582,000</u>	<u>33,906,000</u>	<u>32,521,000</u>	<u>31,016,000</u>
Legal debt margin	<u>\$ 47,091,841</u>	<u>\$ 55,208,723</u>	<u>\$ 51,845,577</u>	<u>\$ 59,899,076</u>	<u>\$ 65,809,364</u>
Total net debt applicable to the limit as a percentage of debt limit	33.44%	29.03%	39.54%	35.19%	32.03%

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 97,299,500	\$ 95,707,525	\$ 92,418,520	\$ 88,571,000	\$ 84,927,221
Total net debt applicable to limit	<u>29,481,000</u>	<u>28,389,000</u>	<u>26,719,000</u>	<u>25,004,000</u>	<u>23,694,000</u>
Legal debt margin	<u>\$ 67,818,500</u>	<u>\$ 67,318,525</u>	<u>\$ 65,699,520</u>	<u>\$ 63,567,000</u>	<u>\$ 61,233,221</u>
Total net debt applicable to the limit as a percentage of debt limit	30.30%	29.66%	28.91%	28.23%	27.90%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Exhibit J-14

KINNELON BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Morris County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	9,427	\$ 572,973,060	\$ 60,780	2.40%
2005	9,490	597,205,700	62,930	2.10%
2006	9,475	643,523,050	67,918	2.20%
2007	9,497	676,100,927	71,191	2.00%
2008	9,535	705,828,375	74,025	2.70%
2009	9,572	647,201,208	67,614	4.70%
2010	10,256	715,981,616	69,811	4.70%
2011	10,304	739,105,920	71,730	4.60%
2012	10,404	770,489,028	74,057	4.80%
2013	10,400	770,192,800	74,057 *	9.80%

* - Latest Morris County per capita personal income and population available (2012) was used for calculation purposes.

Source:

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

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

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

Exhibit J-15

KINNELON BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Kinnelon Board of Education	335	6.71%	N/A	N/A
Pathmark	150	3.00%	N/A	N/A
Borough of Kinnelon	100	2.00%	N/A	N/A
Smokerise Club	50	1.00%	N/A	N/A
Weichert Realtors	35	0.70%	N/A	N/A
Garden State Harley-Davidson	30	0.60%	N/A	N/A
J.C. Christopher's	25	0.50%	N/A	N/A
Route 23 Car & Van Wash	20	0.40%	N/A	N/A
Rite Aid	17	0.34%	N/A	N/A
Rite Aid	15	0.30%	N/A	N/A
	<u>777</u>	<u>15.56%</u>	<u>N/A</u>	<u>N/A</u>

N/A - Information not available

Source: Borough of Kinnelon

KINNELON BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</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>	<u>2014</u>
Instruction										
Regular	136.00	138.00	147.90	146.84	153.31	146.80	138.00	141.80	138.30	137.30
Special education	29.50	29.50	37.00	53.80	59.29	52.54	50.10	50.90	51.40	51.40
Support Services:										
Student & instruction related services	44.50	44.50	37.80	39.83	40.83	43.80	41.90	43.40	43.40	43.90
School administrative services	16.00	16.00	16.50	16.50	16.50	16.00	12.50	12.50	12.50	12.50
General and business administrative services	3.00	3.00	3.00	2.80	3.80	3.80	3.90	3.90	3.90	3.90
Plant operations and maintenance	29.25	29.25	30.50	32.00	28.50	30.90	30.40	30.40	30.40	30.40
Business and other support services	7.00	7.00	7.80	10.80	14.85	5.10	4.60	4.60	4.60	4.60
Pupil transportation						10.00	8.00	8.00	8.00	8.00
Total	<u>265.25</u>	<u>267.25</u>	<u>280.50</u>	<u>302.57</u>	<u>317.08</u>	<u>308.94</u>	<u>289.40</u>	<u>295.50</u>	<u>292.50</u>	<u>292.00</u>

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School				
2005	2,146	\$ 27,383,326	\$ 12,808	165.50	1:12	1:12	1:12	01:11.6	2,138	2,049	N/A	95.84%
2006	2,174	29,304,906	13,580	167.50	1:13	1:14	1:12	1:12	2,158	2,072	0.935%	96.01%
2007	2,205	31,828,678	14,466	171.90	1:13.2	1:13.1	1:10.9	1:11.1	2,200	2,119	1.946%	96.30%
2008	2,207	34,504,771	15,637	172.10	1:13.3	1:13.6	1:12	1:11.5	2,202	2,120	0.091%	96.28%
2009	2,230	34,398,744	15,439	178.27	1:12.9	1:13.3	1:12.54	1:11.65	2,228	2,133	1.181%	95.74%
2010	2,214	35,384,676	16,033	179.10	1:12.5	1:14.6	1:11.9	1:10.3	2,207	2,120	-0.943%	96.06%
2011	2,215	33,567,060	15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%
2013	2,143	36,721,070	17,346	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%

N/A Not Available

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Exhibit J-18

KINNELON BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</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>	<u>2014</u>
Kiel Elementary School (1995)										
Square Feet	49,563	49,563	49,563	43,563	43,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	287	341	354	366	331	333	388	377	340	310
Stony Brook Elementary (1957)										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	253	542	535	519	515	504	578	619	524	558
Pearl R. Miller Middle School (1968)										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	538	535	535	550	572	561	545	532	522	514
Kinnelon High School (1963)										
Square Feet	100,017	100,017	100,017	100,017	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	646	646	646	646	843	646	646	646	646	646
Enrollment	701	614	665	653	676	697	704	694	693	699
Glenn Sisco Elementary School (1923)										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	-0-	140	116	136	136	119	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2014

 Elementary = 2

 Middle School = 1

 High School = 1

Source: Borough of Kinnelon School District Facilities Office

Note: Year of original construction is shown in parentheses.

 Enrollment is based on the annual October district count.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

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

Fiscal Year Ended June 30,	Kiel Elementary School	Stony Brook Elementary School	Glen L. Sisco Elementary School	Pearl R. Miller Middle School	Kinnelon High School	Maintenance	Total
2005	\$ 38,183	\$ 55,710		\$ 48,195	\$ 106,409		\$ 248,497
2006	108,006	49,162	\$ 43,609	76,633	194,455	\$ 19,080	490,945
2007	52,882	79,290	25,966	43,400	96,937	19,386	317,861
2008	75,025	51,678	21,526	62,426	125,936	19,623	356,214
2009	85,318	67,591	20,314	70,856	92,606	27,266	363,951
2010	33,699	54,552	17,445	50,196	130,940	25,541	312,373
2011	27,227	73,841	11,112	40,641	78,539	4,025	235,385
2012	37,618	67,957	4,999	41,510	127,168	3,955	283,207
2013	21,942	61,671	3,559	62,387	410,331	36,000	595,890
2014	54,035	56,236	22,210	87,810	199,659	33,259	453,209

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Borough of Kinnelon School District records

Exhibit J-20

KINNELON BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Zurich American Insurance Company		
Property - Blanket Building and Contents	\$ 94,290,259	\$ 5,000
Commercial General Liability	1,000,000	
Comprehensive Automotive Liability	1,000,000	1,000
Comprehensive Crime Coverage, Employee Dishonesty	500,000	5,000
Comprehensive Crime Coverage, Forgery or Alteration	50,000	1,000
Environmental Impairment Liability		
Each Occurance	1,000,000	15,000
Aggregate	10,000,000	
Boiler and Machinery - Zurich American Insurance Company		
Property Damage	100,000,000	1,000
Umbrella Liability - Zurich American Insurance Company		
Umbrella Policy	9,000,000	
School Board Legal Liability - Zurich American Insurance Company		
Limit of Liability	1,000,000	10,000
Employment Practices Liability	1,000,000	10,000
Public Employees' Faithful Performance Blanket		
Treasurer of School Monies	250,000	
Board Secretary	250,000	
Additional Excess Liability Policy		
Each Occurance	50,000,000	
Aggregate	50,000,000	
Travel Accident Policy		
Principal Sum	100,000	
Aggregate Limit	500,000	

Source: Kinnelon Borough School District records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
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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 Auditors' Report

The Honorable President and Members
 of the Board of Education
 Kinnelon Borough School District
 County of Morris, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 2

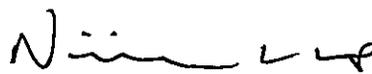
Compliance and Other Matters

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

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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 12, 2014
Mount Arlington, New Jersey


NISIVOC CIA LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program:
Report on Internal Control Over Compliance Required by OMB Circular A-133
and New Jersey's OMB Circular 04-04

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
County of Morris, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular 04-04 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 2

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

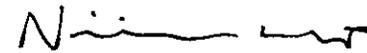
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 OMB Circular A-133 and NJOMB 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

September 12, 2014
Mount Arlington, New Jersey


NISIVOCIA LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance (Accounts Receivable) 6/30/13	Carryover/ (Walkthrough) Amount	Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Receivables	Cancellation of Prior Years' Encumbrance	Return To Grantor	Balance 6/30/14				
												Accounts Receivable	Unearned Revenue	Due to Grantor		
U.S. Department of Agriculture																
Passed-through State Department of Agriculture:																
Child Nutrition Cluster:																
Federal Food Distribution Program	10.555	N/A	7/1/13-6/30/14	\$ 16,463			\$ 16,463	\$ (16,011)						\$ 452		
Federal Food Distribution Program	10.555	N/A	7/1/12-6/30/13	28,516	\$ 1,543			(1,543)								
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	50,769			46,899	(50,769)					\$ (3,870)			
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	51,584	(6,288)		6,288									
Total Child Nutrition Cluster					(4,745)		69,650	(68,323)					(3,870)	452		
Total U.S. Department of Agriculture					(4,745)		69,650	(68,323)					(3,870)	452		
U.S. Department of Education																
Passed-through State Department of Education:																
No Child Left Behind Consolidated Grant:																
Title IIA	84.367A	NCLB-3100-14	7/1/13-6/30/14	36,154			36,154	(34,721)						1,433		
Title IIA - C/O	84.367A	NCLB-3100-13	9/1/12-8/31/14	36,241	3			(3)								
Title IIA - C/O	84.367A	NCLB-3100-12	9/1/11-8/31/14	39,246	700			(700)								
Title III	84.186A	NCLB-3100-11	9/1/12-8/31/13	4,124						\$ 1,051				1,051		
Special Education Cluster:																
I.D.E.A. Preschool	84.173	FT-5520-14	7/1/13 - 6/30/14	16,052			16,052	(16,052)								
I.D.E.A. Part B, Basic	84.027	FT-5520-14	7/1/13 - 6/30/14	389,355			389,355	(389,355)								
I.D.E.A. Part B, Basic	84.027	FT-5520-12	9/1/11-8/31/12	438,117	(23,048)		23,048									
I.D.E.A. Part B, Basic ARRA	84.391	ARRA-5520-10	9/1/09-8/31/11	482,415	4,152						\$ 4,152					
Total Special Education Cluster					(18,896)		428,455	(405,407)			4,152					
Total U.S. Department of Education					(18,193)		464,609	(440,831)		1,051	4,152			2,484		
Total Federal Financial Awards					\$ (22,938)	\$ -0-	\$ 534,259	\$ (509,154)	\$ -0-	\$ 1,051	\$ 4,152	\$ (3,870)	\$ 2,936	\$ -0-		

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/14			MEMO		
				Unearned Revenue/ (Accounts Receivable) 06/30/13					GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:														
General Fund:														
Special Education Categorical Aid	14-495-034-5120-089	7/1/13 - 6/30/14	\$ 1,080,571			\$ 976,870	\$ (1,080,571)						\$ 103,701	\$ 1,080,571
Special Education Categorical Aid	13-495-034-5120-089	7/1/12 - 6/30/13	1,079,062	\$ (96,333)		96,333								1,079,062
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	165,159			149,309	(165,159)						15,850	165,159
Security Aid	13-495-034-5120-084	7/1/12 - 6/30/13	163,967	(14,486)		14,486								163,967
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	193,798			175,200	(193,798)						18,598	193,798
Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	196,499	(17,360)		17,360								196,499
Extraordinary Aid	14-100-034-5120-473	7/1/13 - 6/30/14	287,179				(287,179)		\$ (287,179)				287,179	287,179
Extraordinary Aid	13-100-034-5120-473	7/1/12 - 6/30/13	338,934	(338,934)		338,934								338,934
Additional Non Public Transportation	14-495-034-5120-014	7/1/13 - 6/30/14	18,424				(18,424)		(18,424)				18,424	18,424
Additional Non Public Transportation	13-495-034-5120-014	7/1/12 - 6/30/13	19,488	(19,488)		19,488								19,488
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	1,253,251			1,193,802	(1,253,251)		(59,449)				59,449	1,253,251
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12 - 6/30/13	1,174,567	(63,263)		63,263								1,174,567
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11 - 6/30/12	1,179,390	(59,018)		59,018								1,179,390
Total General Fund				(608,882)		3,104,063	(2,998,382)		(365,052)				503,201	7,150,289
Debt Service Fund:														
Debt Service Aid State Support	14-495-034-5120-017	7/1/13 - 6/30/14	68,553			68,553	(68,553)							68,553
Total Debt Service Fund						68,553	(68,553)							68,553

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/14			MEMO			
				Unearned Revenue/ (Accounts Receivable) 06/30/13					GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures		
Special Revenue Fund:															
Non Public Technology Initiative	14-100-034-5120-373	7/1/13-6/30/14	\$ 420			\$ 420	\$ 415					\$ 5		\$ 415	
Non Public Technology Initiative	13-100-034-5120-373	7/1/12-6/30/13	332			332		\$ 332							
Non Public Textbooks Aid	14-100-034-5120-064	7/1/13-6/30/14	1,152			1,152	969					183		969	
Non Public Textbooks Aid	13-100-034-5120-064	7/1/12-6/30/13	898			898		898							
Non Public Nursing Services	14-100-034-5120-070	7/1/13-6/30/14	1,621			1,621	(1,621)							1,247	
Total Special Revenue Fund						4,423	(237)	1,230				188		2,631	
Total NJ Department of Education						\$ (608,882)	3,177,039	(3,067,172)	1,230	\$ (365,052)		188	\$ 503,201	7,221,473	
Food Service Fund:															
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	3,414			3,140	(3,414)			(274)			274	3,414	
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	3,813			479								3,813	
Total Food Service Fund						(479)	3,619	(3,414)		(274)			274	7,227	
Total State Awards						\$ (609,361)	\$ -0-	\$ 3,180,658	\$ (3,070,586)	\$ 1,230	\$ (365,326)	\$ -0-	\$ 188	\$ 503,475	\$ 7,228,700

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1: Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state financial award programs of the Board of Education, Kinnelon Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies are included on the schedules of expenditures of federal and state awards. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies:

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's 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 amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Relationship to Basic Financial Statements:

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two 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 budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the final two payments for the prior year are recognized in the current 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,970) for the general fund and \$3,073 for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post Retirement Medical contributions paid by the State on behalf of the District of \$667,297 and \$1,094,116, respectively.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 3: Relationship to Basic Financial Statements (Cont'd)

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,748,825	\$4,748,825
Special Revenue Fund	\$ 443,904	3,005	446,909
Debt Service Fund		68,553	68,553
Enterprise Fund	<u>68,323</u>	<u>3,414</u>	<u>71,737</u>
Total Financial Awards	<u>\$ 512,227</u>	<u>\$ 4,823,797</u>	<u>\$5,336,024</u>

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: Other:

T.P.A.F. Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for T.P.A.F. members for the fiscal year ended June 30, 2014. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	State Grant Number/C.F.D.A. #	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Special Education Categorical Aid Reimbursed TPAF	14-495-034-5120-089	7/1/13-6/30/14	\$ 1,080,571	\$ 1,080,571
Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	1,253,251	1,253,251
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	7/1/13-6/30/14	389,355	389,355
I.D.E.A. Preschool	84.173	7/1/13-6/30/14	16,052	16,052

- The threshold used for distinguishing between Type A and Type B programs was \$300,000. A risk based approach was used to determine major programs.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal Circular.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular 04-04.

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Status of Prior Year Findings:

The District had no prior year audit findings.