

KEARNY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Kearny, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Kearny Board of Education

Kearny, New Jersey

For The Fiscal Year Ended June 30, 2016

Prepared by

Business Office

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INTRODUCTORY SECTION

OFFICE OF BOARD OF EDUCATION
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KEARNY, NEW JERSEY 07032

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RICHARD ROSENBERG
ACTING BUSINESS ADMINISTRATOR/
BOARD SECRETARY

September 28, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Kearny School District for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections; introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), and New Jersey State OMB Circular 15-08, "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 the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 5,918 students, which is 17 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District over the past ten years:

| <u>Fiscal Year</u> | <u>Student Enrollment</u> | <u>Percent Change Increase (Decrease)</u> |
|--------------------|---------------------------|---|
| 2015-16 | 5,918 | (0.28%) |
| 2014-15 | 5,901 | (0.60%) |
| 2013-14 | 5,937 | 0.99% |
| 2012-13 | 5,879 | (2.79%) |
| 2011-12 | 6,048 | 3.74% |
| 2010-11 | 5,830 | 1.50% |
| 2009-10 | 5,744 | (0.52%) |
| 2008-09 | 5,774 | 3.48% |
| 2007-08 | 5,580 | 2.5% |
| 2006-07 | 5,442 | 1.13% |

- (2) **ECONOMIC CONDITION AND OUTLOOK:**

The Taxpayers' Guide to Education Spending for K-12 districts was released by the New Jersey Department of Education (DOE) in July of 2016. It was revealed that the Kearny School District's budgeted comparative spending for the 2015/16 school year was \$12,791 per pupil. Out of the 103 school districts with more than 3,500 students, Kearny ranked 13th (low cost to high cost) in budgeted 2015/16 per pupil spending. The budgeted New Jersey State average for 2015/2016 was \$15,144.

The District Factor Grouping (DFG) for Kearny is "B". This reflects the diminished socioeconomic indicator of the community-at-large. Every effort has been initiated by the District to effectuate maximum state aid for the 2015/16 school year. In addition to a host of entitlement grants, the District has also applied for and been approved to implement competitive State grants such as the School-Based Youth Services Program.

(3)

MAJOR INITIATIVES:

○ DISTRICT WIDE

- *The Genesis Parent Portal continues to be available to all parents providing access to their child's progress throughout the school year. Grading Criteria was examined and updated to reflect new programs and practices which will be implemented in the 2016-2017 school year.*
- *The district continued its curriculum rewriting and revision in conjunction with the Hudson County Curriculum Consortium. All district curricula is easily accessible to all administrators and teachers on the district's website. Curriculum writers collaborated as Professional Learning Communities during the school year and over the summer in order to ensure vertical and horizontal articulation as the curriculum documents were written and revised.*
- *The continuation of Professional Learning Communities was used in the development of school improvement initiatives and provided teachers the opportunity to collaborate within their subjects areas and across grade levels. In addition, PLC's provided the opportunity for both horizontal and vertical articulation among all district teachers.*
- *Educational technology workshops continued to provide teachers in all grade levels technology training for District Technology resources such as Smart Boards, projectors, document cameras, educational software, mobile laptop labs, etc.*

○ ELEMENTARY & MIDDLE SCHOOL

- *Franklin School and Roosevelt School participated in the NJDOE's CAR-BOLM blended learning program in order to improve PLC practice.*
- *Early Childhood Family After School Programs continued in all schools in an effort to assist parents in providing literacy and math skills and concepts for their children at home in order to support what occurs in the Early Childhood classroom.*
- *The district participated in the NJKEA for the 2015-16 school year. As a result, Pre-K and Kindergarten teachers continued their implementation of the Teaching Strategies GOLD Portfolio Assessment System. Teachers continue to use their iPads were provided continued training on the assessment.*
- *A select group of Kindergarten teachers, along with the district Early Childhood Coach, participated in curriculum writing where emphasis was placed on a balance between academics and play-based learning. The Kindergarten Implementation Guidelines were utilized as a reference and a sample daily schedule was developed.*
- *The ESI-P and ESI-K assessment was implemented in PreK and Kindergarten respectively in order to identify students that may be in need of an I&RS referral as part of the district's early intervention initiative.*

- *The district Behaviorist continues to work with select Special Education aides to increase their knowledge of Applied Behavioral Analysis and Discrete Trial teaching techniques. For the 2016-17 school year, the district continued its implementation of the ReThink program for many of our behavioral students as well as those that have been diagnosed with autism spectrum disorder. The ReThink program provides the aide with the tools needed to correctly implement techniques with students.*
- *The district continued to provide selected Special Education aides with professional development in order to increase their knowledge of Applied Behavioral Analysis (ABA).*
- *The district began the process to implement the RTiM Direct online program which will be fully in place for the 2016-2017 school year. RTiM Direct is a student information system that will document the I&RS process and ensure the necessary and proper steps are taken to intervene with at-risk students.*
- *The district's Academic Support program implemented the Leveled Literacy Intervention (LLI) program for qualifying grade one students in order to provide strategic reading instruction/intervention.*
- *The district partnered with Montclair State University's iSTEM program to prepare dual certification teachers. The Dual Certification MAT Program focused on Inclusive iSTEM Education (concentrations for Science and Mathematics teachers). The teacher education program prepares middle and secondary math and science teachers through three interconnected strands of teacher preparation: rigorous content area preparation in math or science, evidence-based inclusive practices, and integrative STEM (iSTEM) education.*
- *A new Social Studies program was implemented in grades 3-8. In grades 3-5 the program was McGraw Hill Networks and in grades 6-8, the program was Holt McDougal/HMH World History and United States History. Professional development was provided to teachers throughout the year as well as PLC sessions that provided ongoing support.*
- *Teachers were provided with continued professional development in grades K-5 in Writer's Workshop and best practices for small-group instruction.*
- *The district continued its implementation of the STAR (Skills to Achieve Reading) after school program district-wide in grades K-5. The focus of the program was to provide students with multi-sensory Orton Gillingham instruction in order to improve reading skills. Students were assessed and grouped appropriately at the start of the program. A post-test was also administered at the conclusion of the program in order to analyze student growth and gains. The district also continued its summer SMART (Summer Math & Reading Toolkit) for students in grades 1-5. Students were grouped according to ability and provided remediation through the Orton Gillingham approach, Guided Reading Lesson and foundational Mathematics instruction. Students attended a field*

trip to the Meadowlands Environmental Center. Two parent information sessions were also held.

- *Title I, ESL and Immigrant Parent Involvement nights were held throughout the school year for elementary, middle and high school parents where they were given the opportunity to become more involved and informed in the education of their children.*
- *The district continued to implement the Edmentum Plato Courseware Benchmarks in English Language Arts, Mathematics, Social Studies and Science in grades 2-12. Teachers were able to generate reports and analyze student results in order to modify instruction. Teachers also had the ability to prescribe activities to students based on results for remediation purposes. The district also developed grade level/subject area benchmarks in grades 6-8 in the areas of English Language Arts, Mathematics, Social Studies and Science.*
- *A district-wide subscription of Scholastic News was again provided to grades 1-5 as well as Scholastic Storyworks for grades 3-5.*
- *The district continued its implementation of Achieve 3000, an online reading program used to identify student reading levels and improve reading comprehension skills, for use in grades 3 through 8. Professional development was continued for staff. School-based goals were generated by building principals and central office staff for the 2016-17 school year that included improving student Lexile levels through increased usage of the program.*
- *Grade One and Two teachers continued their implementation of the Fountas & Pinnell Benchmark Assessment. Teachers continued to conduct assessments and record results on iPads. Assessment results were compiled and analyzed to identify district trends as well as to inform instruction for individual students. The Fountas & Pinnell Assessment was expanded to include grades 3-5 and professional development was provided to teachers. Student reading lists were created to incorporate the Fountas & Pinnell levels.*
- *The district continued its initiative to level all classroom libraries in grades K-5 using the Fountas & Pinnell and Lexile systems. A book drive was held for a second year at the High School where students had the opportunity to donate used and new books to the elementary schools.*
- *Several assemblies were held for students that supported literacy, such as School House Rock Jr.*
- *Teachers attended a series of Literacy Workshops held at Kean University, Rutgers University and NJCU. Useful strategies and activities were shared with staff.*
- *The district continued its implementation of the Being a Writer Writing Program by the Center for the Collaborative Classroom in grades K-5. The program follows a Writer's Workshop model while also emphasizing the development of Social Emotional learning. Teachers received continued ongoing professional development throughout the school year which included the modeling of lessons and group collaboration and sharing.*

- *As the district continues its transition from a basal-based English Language Arts program to an improved Balanced Literacy Framework, select teacher in grades 3-5 participated in a pilot of the Making Meaning program published by the Center for the Collaborative Classroom. This comprehension program utilizes the Reader's Workshop model and includes components for vocabulary, spelling and individualized daily reading. The district also investigated additional programs as part of the transition process.*
- *The district continued its implementation of the Orton Gillingham approach in grades K-2. This multi-sensory approach to the teaching of phonics ensures that the district's population of struggling readers would be appropriately assisted.*
- *Continued modification of district schedules took place in order to provide grade level and subject area teachers with common planning time and an uninterrupted ELA block of instruction.*
- *The continuation of World Language offerings for students in grade K-8 took place. Grade Six students were given the opportunity to survey all three languages offered over the course of the school year. Students were then able to select the language of their choice to study in grades 7-8.*
- *The district continued its implementation of the Ron Larson's Big Ideas Mathematics program in grades 6-8. The program is Common Core State Standards aligned and engages students in higher order thinking. The program utilizes a research-based, balanced instructional approach that includes both discovery learning and direct instruction lessons.*
- *The district continued its implementation of the English Language Arts program Collections by Houghton Mifflin Harcourt in grades 6-8. The program is aligned to the Common Core State Standards and meets the increased rigor of the new state standards by providing collections of topically linked, complex texts-including more informational texts and literary nonfiction. Students engage in critical analysis and practice writing to sources with tasks that require analysis, synthesis and evidence. Additional professional development was provided based on teacher feedback. Emphasis was placed on online teacher and student resources that are available in the program. As a result of teacher feedback and PLC's, The Holt Online Essay Scoring Program was added as an ELA component in grades 6-8.*
- *The district implemented the Mind Research ST Math program in grade 6. ST Math is a math software program that includes game puzzles that start off simply and get more challenging as a student progresses. The implementation of ST Math is part of the district's ongoing effort to infuse blended learning instruction.*
- *The district continued its partnership with Montclair State University in the WIPRO Science Fellowship Program in order to develop the capacity of classroom teachers to design transformative and innovative, multimodal instructional experiences and active learning communities of practice-all as a means of enhancing the quality of instruction*

in the STEM disciplines. Teachers participating in the program are given the necessary support to have significant roles of leadership in facilitating innovative STEM instruction both within the classroom as well as school wide. The WIPRO fellows utilized their leadership and networking skills to establish activities, programs and partnerships such as: 4H; STEM Club; STEAM Club (including Robotics); Water Festival; Sustainable Learning Garden (in partnership with the Passaic Valley Sewerage Commission and Rutgers University); BASF grant utilized to purchase 3D printers, etc. The district also continued its involvement in the NJDOE's Creative University-School Partnerships (CUSP) program through Montclair State University.

- *The district continued and expanded its involvement in the Montclair State University Network for Educational Renewal (MSUNER) program. Teachers were awarded 20 individual and group grants where they were able to enhance their curriculum with projects and activities. The district hosted a speaker on LGBT awareness. Middle School students attended a field trip to Montclair State University where they attended a presentation given by Minni Jean Brown Trickey, one of the Little Rock Nine.*
- *All district grade 6 students attended a field trip to the Meadowlands Environmental Center where they participated in the Estuary Explorers program.*
- *Professional Learning Communities and grade-level meetings took place throughout the year with grades 6-8 Science teachers in order to continue the refinement of the current Science curriculum in order to meet the expectations of the Next Generation Science Standards. Teachers implemented the framework that was developed in the prior year and also utilized the framework to formally develop the Science curriculum for 2016-17 implementation. Supervisors and teachers also attended multiple professional development opportunities offered by the NJDOE, Montclair State University, etc. to assist in this effort. WIPRO teacher leaders facilitated professional development workshops in all elementary schools in order to introduce the K-5 teachers to the NGSS. The district also hosted a county workshop designed to also introduce the K-5 NGSS standards.*
- *Middle School and High School Science and Social Studies teachers met periodically over the course of the school year for vertical articulation.*
- *Physical Education and Health staff previewed Health programs and selected The Great Body Shop for implementation in grades 3-8 in the 2016-17 school year.*

○ HIGH SCHOOL

- *Benchmark assessments continued to be refined and quarterly benchmarks were developed for implementation in the 2016-17 school year. Data continued to be used to inform instruction and identify areas of strength and weakness for individual student learning plans.*
- *Several new courses were developed to be implemented in the 2016-17 school year. These courses are: AP US History 2; Lab Anatomy & Physiology; Lab Forensics;*

- *Environmental Science; Physical Science; AP Microeconomics; AP Computer Science Principles and AP Studio Art/3D Design.*
- *Continued articulation took place between the middle and high school Algebra teachers in order to better establish consistency in the Algebra I curriculum.*
- *The high school continued to implement the Edmentum Plato Courseware for credit recovery in English Language Arts, Mathematics, Social Studies and Science in grades 2-12.*
- *ATHLETICS*
 - *The district has no pending projects.*
 - *DISTRICT*
- *Wireless Project for District Mobile Devices*
 - *The installation of wireless access points has been completed at all elementary schools. The high school is partially done and will be completed as the construction project moves ahead. Policies and guidelines will be modified to include the use of mobile devices and a BYOD initiative.*
- *District Data Center*
 - *The District Data Center, located in the high school, continues to grow and provide centralized housing and control of much of the district's infrastructure and many of the district's servers. Three secondary data center extensions have been developed to provide some redundancy and to allow for the continued growth of data services. These locations are in the south building at the high school; an IDF location in Lincoln School; and the MDF location in the Board of Education building. Backup generators still need to be added.*
- *On-Line & Subscription Services Initiative*
 - *The district will continue the use of on-line lesson plans with on-line class pages for each teacher. We are continuing to use the online Lesson Planner module in the Genesis Student Information System.*
 - *The district will continue with the Genesis Student Information System which provides a comprehensive set of student data reporting tools and educational tools as well as web access to all teachers, a grade book and a parent portal.*
 - *Online services include Interactive Achievement, FitnessGram, Edmentum, Think Central, Go Math!, Pearson SuccessNet Math, Achieve 3000, Naviance, Follette Library Services, Plato, and Rosetta Stone. Services will be added/removed as required.*

- Preparation for PARCC Testing

- Classrooms were optimized as hybrid classrooms and test centers to allow the use of test centers in each building. Selected classrooms received electrical wiring and data wiring for use during the PARCC testing sessions. When not used as test centers, the classrooms will function as regular classroom spaces. These classrooms will be used again for this year's PARCC testing.

- Kearny High School Noise Abatement & Renovation Project

- The renovation and construction work project funded through a joint effort of the Port Authority, the FAA, the Schools Development Authority and the Kearny Board of Education has begun and has an estimated completion date of September 2017.

- Kearny High School Façade Project

- The exterior façade project is complete.

- Midland Avenue Property

- Property was purchased by the Board of Education for the renovation of classroom/central office space. Work is complete.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

- (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) **DEBT ADMINISTRATION:** *At June 30, 2016, the District's outstanding debt included \$8,580,000 of general obligation bonds to provide funds for capital improvements to the District's buildings and grounds. These improvements include ventilation upgrading, restoration of the High School, Garfield, Roosevelt, Schuyler and Washington Schools' building façades, restoration of District walkways and grounds, and various other projects.*

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

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

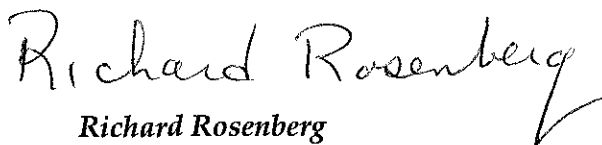
(10) OTHER INFORMATION:

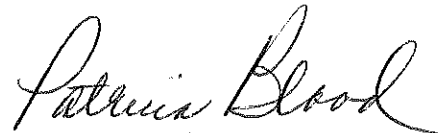
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended and the related Uniform Guidance and New Jersey OMB Circular Letter 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

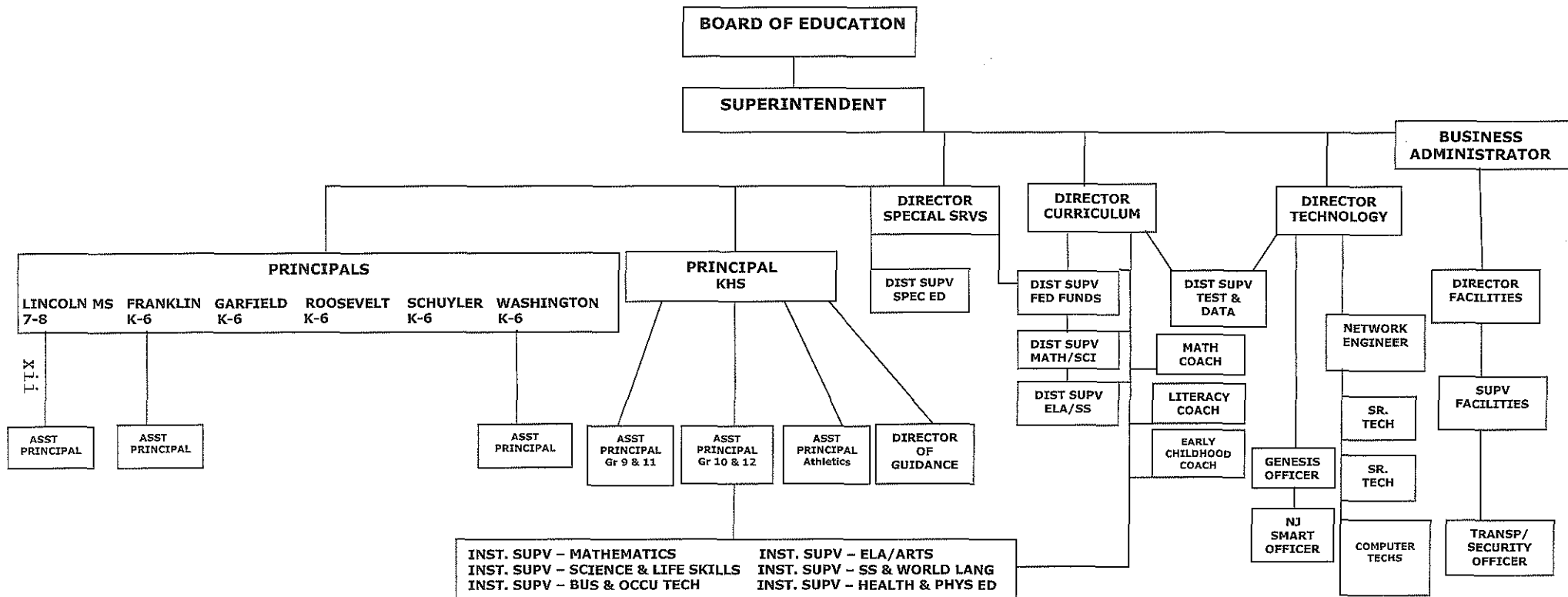
(11) ACKNOWLEDGMENTS:

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

Respectfully submitted,


Richard Rosenberg
Acting Business Administrator/Board Secretary


Patricia Blood
Superintendent of Schools



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2016

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

| | |
|------------------------|------|
| Barbara Cifelli-Sherry | 2016 |
| Mercedes Davidson | 2017 |
| James Doran, Jr. | 2018 |
| Bryan Granelli | 2018 |
| James L. Hill | 2017 |
| Cecilia Lindenfelser | 2018 |
| Bernadette McDonald | 2016 |
| Samantha Paris | 2016 |
| Sebastian J. Viscuso | 2017 |

ADMINISTRATION

Patricia Blood, Superintendent of Schools

Michael DeVita, Business Administrator/Board Secretary

KEARNY BOARD OF EDUCATION - CONSULTANTS AND ADVISORS

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PROVIDENT BANK
249 KEARNY AVENUE
KEARNY, NEW JERSEY 07032

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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 Kearny Board of Education as of June 30, 2016, 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, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearny Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Kearny Board of Education.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2016 on our consideration of the Kearny Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Kearny Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
September 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

This section of the Kearny Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- The assets and deferred outflows of resources of the Kearny School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,504,532.
- Overall revenues were \$112,308,965 which were \$458,687 less than expenses. General revenues accounted for \$77,250,699 or 69% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$35,058,266 or 31% of total revenues.
- The School District had \$110,527,778 in expenses for governmental activities; only \$33,261,221 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes and federal and state aid) of \$77,250,699 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combining ending fund balances of \$12,182,113. The unassigned general fund balance (GAAP Basis) is a deficit of \$1,647,226.
- The General Fund unassigned budgetary basis fund balance was \$1,708,225 at June 2016, an increase of \$20,360 when compared with the beginning balance at July 1, 2015 of \$1,687,865.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

KEARNY BOARD OF EDUCATION

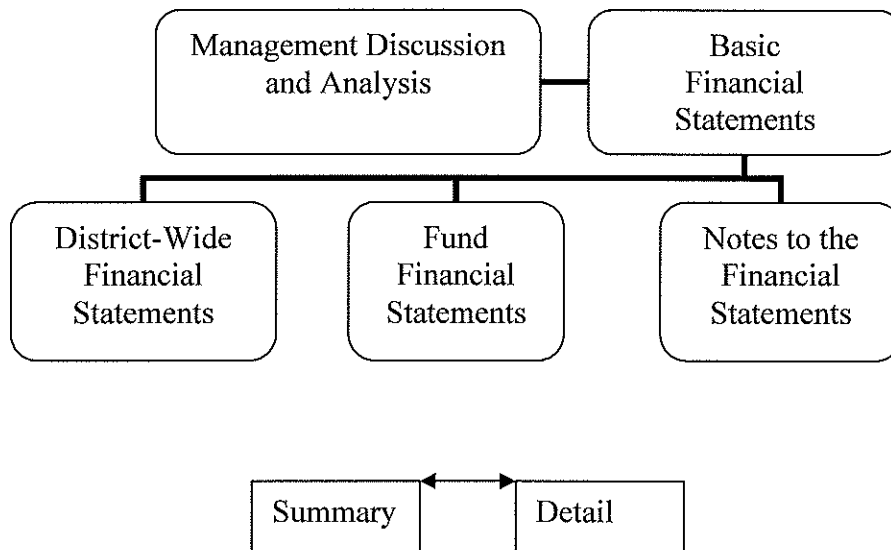
Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

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

Major Features of the District-Wide and Fund Financial Statements

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Fund Financial Statements (Continued)

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences between them).
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - *Enterprise Fund* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has a Food Service Enterprise Fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Board’s district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Net Position. The District's combined net position, as summarized below, was \$32,504,532 and \$32,963,219 on June 30, 2016 and 2015, respectively

Table A-1
Statement of Net Position
as of June 30, 2016 and 2015

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Current and Other Assets | \$ 48,861,429 | \$ 50,715,602 | \$ 626,348 | \$ 443,716 | \$ 49,487,777 | \$ 51,159,318 |
| Capital Assets | 66,684,575 | 65,909,980 | 107,215 | 122,355 | 66,791,790 | 66,032,335 |
| Total Assets | <u>115,546,004</u> | <u>116,625,582</u> | <u>733,563</u> | <u>566,071</u> | <u>116,279,567</u> | <u>117,191,653</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred Amounts on Net Pension Liability | 4,410,149 | 2,128,704 | | | 4,410,149 | |
| Deferred Charges on Refunding | 430,754 | 477,922 | - | - | 430,754 | 477,922 |
| Total Deferred Outflows of Resources | <u>4,840,903</u> | <u>2,606,626</u> | <u>-</u> | <u>-</u> | <u>4,840,903</u> | <u>477,922</u> |
| Liabilities | | | | | | |
| Long-Term Liabilities | 51,185,420 | 44,434,419 | | | 51,185,420 | 44,434,419 |
| Other Liabilities | 36,837,143 | 41,163,387 | 117,415 | 18,299 | 36,954,558 | 41,181,686 |
| Total Liabilities | <u>88,022,563</u> | <u>85,597,806</u> | <u>117,415</u> | <u>18,299</u> | <u>88,139,978</u> | <u>85,616,105</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred Amounts on Net Pension Liability | 471,368 | 1,216,142 | | | 471,368 | |
| Deferred Commodities Revenue | - | - | 4,592 | 2,813 | 4,592 | 2,813 |
| Total Deferred Inflows of Resources | <u>471,368</u> | <u>1,216,142</u> | <u>4,592</u> | <u>2,813</u> | <u>475,960</u> | <u>2,813</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 57,535,963 | 55,491,651 | 107,215 | 122,355 | 57,643,178 | 55,614,006 |
| Restricted | 11,257,150 | 8,425,574 | | | 11,257,150 | 8,425,574 |
| Unrestricted | (36,900,137) | (31,498,965) | 504,341 | 422,604 | (36,395,796) | (31,076,361) |
| Total Net Position | <u>\$ 31,892,976</u> | <u>\$ 32,418,260</u> | <u>\$ 611,556</u> | <u>\$ 544,959</u> | <u>\$ 32,504,532</u> | <u>\$ 32,963,219</u> |

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Below is a summary of the changes in net position for fiscal years ended June 30, 2016 and 2015.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 75,363 | \$ 50,462 | \$ 485,056 | \$ 448,935 | \$ 560,419 | \$ 499,397 |
| Operating Grants and Contributions | 30,490,718 | 25,265,538 | 1,311,989 | 1,262,487 | 31,802,707 | 26,528,025 |
| Capital Grants and Contributions | 2,695,140 | 2,034,553 | | | 2,695,140 | 2,034,553 |
| General Revenues | | | | | | |
| Property Taxes | 49,014,914 | 47,337,165 | | | 49,014,914 | 47,337,165 |
| Federal and State Aid | 27,127,855 | 27,139,472 | | | 27,127,855 | 27,139,472 |
| Other | 1,107,930 | 605,386 | - | - | 1,107,930 | 605,386 |
| Total Revenues | <u>110,511,920</u> | <u>102,432,576</u> | <u>1,797,045</u> | <u>1,711,422</u> | <u>112,308,965</u> | <u>104,143,998</u> |
| Expenses | | | | | | |
| Instruction | | | | | | |
| Regular | 55,352,833 | 50,637,282 | | | 55,352,833 | 50,637,282 |
| Special Education | 15,560,078 | 13,900,553 | | | 15,560,078 | 13,900,553 |
| Other Instruction | 3,357,362 | 2,920,309 | | | 3,357,362 | 2,920,309 |
| School Sponsored Activities and Athletics | 1,509,284 | 1,376,895 | | | 1,509,284 | 1,376,895 |
| Support Services | | | | | | |
| Student and Instruction Related Services | 8,959,592 | 8,764,376 | | | 8,959,592 | 8,764,376 |
| General Administration and Business Services | 4,886,949 | 4,853,589 | | | 4,886,949 | 4,853,589 |
| School Administration Services | 8,526,918 | 7,530,457 | | | 8,526,918 | 7,530,457 |
| Plant Operation and Maintenance | 10,038,580 | 9,643,413 | | | 10,038,580 | 9,643,413 |
| Pupil Transportation | 1,790,536 | 1,698,164 | | | 1,790,536 | 1,698,164 |
| Interest and Other Charges on Long-Term Debt | 545,646 | 681,281 | | | 545,646 | 681,281 |
| Food Service | - | - | 2,239,874 | 2,144,004 | 2,239,874 | 2,144,004 |
| Total Expenses | <u>110,527,778</u> | <u>102,006,319</u> | <u>2,239,874</u> | <u>2,144,004</u> | <u>112,767,652</u> | <u>104,150,323</u> |
| Increase (Decrease) in Net Position before | | | | | | |
| Transfers | (15,858) | 426,257 | (442,829) | (432,582) | (458,687) | (6,325) |
| Transfers | <u>(509,426)</u> | <u>(508,262)</u> | <u>509,426</u> | <u>508,262</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | (525,284) | (82,005) | 66,597 | 75,680 | (458,687) | (6,325) |
| Net Position, Beginning of Year | <u>32,418,260</u> | <u>32,500,265</u> | <u>544,959</u> | <u>469,279</u> | <u>32,963,219</u> | <u>32,969,544</u> |
| Net Position, End of Year | <u>\$ 31,892,976</u> | <u>\$ 32,418,260</u> | <u>\$ 611,556</u> | <u>\$ 544,959</u> | <u>\$ 32,504,532</u> | <u>\$ 32,963,219</u> |

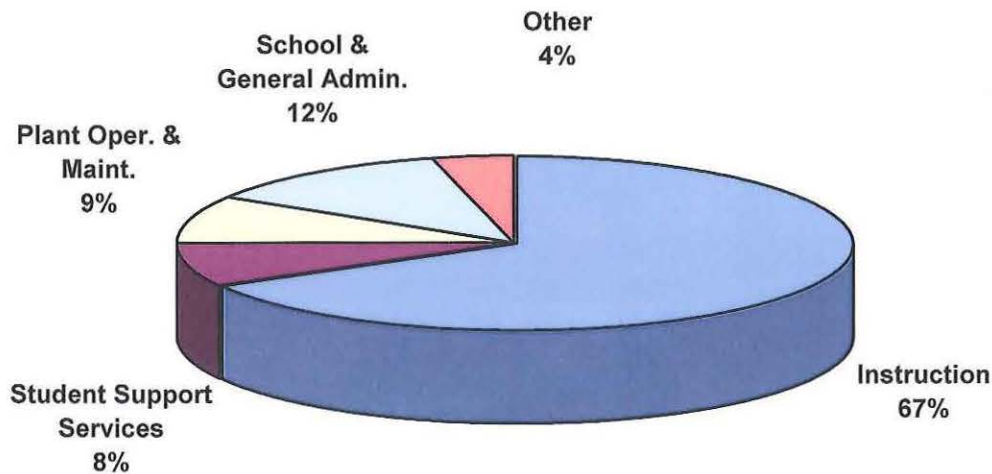
KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Changes in net position. The District's total revenues were \$112,308,965. Property taxes of \$49,014,914 represented 44% of revenues. Approximately 55% of the District's revenues were received from state and federal sources, the balance of 1% came from investment earnings, fees for adult education and other miscellaneous items.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was \$112,767,652. Total expenses exceeded revenues, decreasing net position by \$458,687 from the beginning balance at July 1, 2015.



Total and Net Cost of Governmental Activities. The District's total cost of services was \$110,527,778 for the fiscal year ended June 30, 2016. After applying program revenues, derived from charges for services of \$75,363; operating grants and contributions of \$30,490,718; and capital grants and contributions of \$2,695,140, the net cost of services of the District is \$77,266,557. The following is a comparative analysis of the net cost of governmental activities for the fiscal years ended June 30, 2016 and 2015.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

| | Total Cost of Services | | Net Cost of Services | |
|--|---------------------------|-----------------------|-------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Governmental Activities | | | | |
| Instruction | | | | |
| Regular | \$ 55,352,833 | \$ 50,637,282 | \$ 39,170,244 | \$ 38,071,485 |
| Special Education | 15,560,078 | 13,900,553 | 7,545,609 | 6,719,959 |
| Other Instruction | 3,357,362 | 2,920,309 | 2,302,074 | 2,113,888 |
| School Sponsored Activities and Athletics | 1,509,284 | 1,376,895 | 1,199,998 | 1,146,281 |
| Support Services | | | | |
| Student and Instruction Related Services | 8,959,592 | 8,764,376 | 6,654,544 | 6,798,249 |
| General Administration and Business Services | 4,886,949 | 4,853,589 | 4,481,326 | 4,145,950 |
| School Administration Services | 8,526,918 | 7,530,457 | 6,633,217 | 6,071,868 |
| Plant Operation and Maintenance | 10,038,580 | 9,643,413 | 6,994,011 | 7,259,307 |
| Pupil Transportation | 1,790,536 | 1,698,164 | 1,739,888 | 1,647,498 |
| Interest and Other Charges on Debt | 545,646 | 681,281 | 545,646 | 681,281 |
| Total Governmental Activities | <u>\$ 110,527,778</u> | <u>\$ 102,006,319</u> | <u>\$ 77,266,557</u> | <u>\$ 74,655,766</u> |

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2016 was \$2,239,874. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidy to offset the cost of district employees working in the Food Service Program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's Governmental Funds reported a combined fund balance of \$12,182,113. The fund balance at June 30, 2015 was \$9,665,894. A significant portion of the increase was attributable to the District financing the acquisition of equipment from \$4.1 million of lease proceeds.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

GENERAL FUND

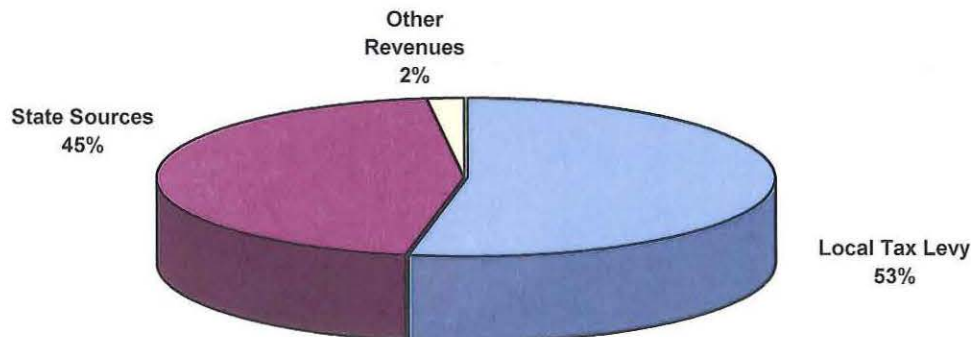
The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 12 including pupil transportation, student activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues for the fiscal years ended June 30, 2016 and 2015.

| | Fiscal Year Ended <u>June 30, 2016</u> | Fiscal Year Ended <u>June 30, 2015</u> | Increase (Decrease) | <u>Percent</u> |
|-----------------------|--|--|------------------------|----------------|
| Revenues | | | | |
| Local Sources: | | | | |
| Property Tax Levy | \$ 47,944,682 | \$ 46,217,348 | \$ 1,727,334 | 3.7% |
| Miscellaneous | 1,183,293 | 632,529 | 550,764 | 87.1% |
| State Sources | 40,721,927 | 39,109,267 | 1,612,660 | 4.1% |
| Federal Sources | <u>253,728</u> | <u>291,605</u> | <u>(37,877)</u> | -13.0% |
| Total Revenues | <u>\$ 90,103,630</u> | <u>\$ 86,250,749</u> | <u>\$ 3,852,881</u> | 4.5% |

The General Fund revenues are primarily funded from property taxes and State aid. These combine for 98% of the District's total revenue. Miscellaneous revenues increased primarily from additional revenues for solar energy credits, a premium on grant anticipation notes, the sale of obsolete property and other miscellaneous refunds during the 2015/2016 school year. Revenue from federal sources (SEMI) decreased.

2015/2016 Revenues by Source



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2016 and 2015.

| | Fiscal Year Ended <u>June 30, 2016</u> | Fiscal Year Ended <u>June 30, 2015</u> | Increase (Decrease) | Percent |
|---------------------------|--|--|------------------------|---------|
| Expenditures | | | | |
| Instruction | \$ 58,409,187 | \$ 55,835,982 | \$ 2,573,205 | 4.6% |
| Support Services | 30,500,519 | 30,191,865 | 308,654 | 1.0% |
| Capital Outlay | 18,260 | 349,895 | (331,635) | -94.8% |
| Debt Service | <u>298,927</u> | <u>298,927</u> | <u>-</u> | 0.0% |
| Total Expenditures | <u>\$ 89,226,893</u> | <u>\$ 86,676,669</u> | <u>\$ 2,550,224</u> | 2.9% |

Total General Fund expenditures increased \$2,550,224 or 2.9% from the previous year. This is a result of increases in contractual salaries and employee benefits.

In 2015-2016 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$367,378. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2016 was a deficit of \$1,647,226. This deficit was eliminated upon the District's receipt of the 2015/2016 final state aid payments and extraordinary aid during the 2016/17 school year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of June 30, 2015 reserve for encumbrances.

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Revenues of the Special Revenue Fund were \$4,414,218, for the fiscal year ended June 30, 2016. State sources in the amount of \$1,179,759 accounted for 27% of the total revenue and federal sources in the amount of \$3,209,276 accounted for 72% of the total revenue in the special revenue fund.

Total Special Revenue Fund revenues increased \$655,642 or 17% from the previous year. State sources increased \$402,008, while Federal sources increased by \$243,620.

Expenditures of the Special Revenue Fund were \$4,414,218. Instructional expenditures were \$3,787,072 or 86%, expenditures for support services were \$585,668 or 13%, and expenditures for capital outlay were \$41,478 for the fiscal year ended June 30, 2016.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Project Fund current year revenues and other financing sources exceeded expenditures and other financing uses by \$2,148,841. The Capital Projects year-end fund balance is \$2,648,799. The amount of revenue earned from the SDA for qualified Education Facilities Construction and Financing Act construction projects was \$1,077,148. In addition, the District realized \$1,292,578 from the FAA and \$325,414 from the Port Authority for funding related to the Kearny High School noise abatement/expansion projects.

The amount of debt service expenditures for 2015-2016 was \$1,496,188 in principal and interest, with \$1,070,232 funded from the property tax levy and \$425,956 from state aid.

Capital Assets. At the end of the 2015-2016 fiscal year, the school district had invested in land, buildings, machinery and equipment as stated below:

| | Governmental Activities | | Business- Type Activities | |
|--------------------------------|----------------------------|----------------------|------------------------------|-------------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Land | \$ 245,000 | \$ 245,000 | | |
| Site Improvements | 123,555 | 123,555 | | |
| Construction in Progress | 27,852,626 | 26,364,939 | | |
| Buildings and Improvements | 81,391,911 | 78,213,366 | | |
| Machinery and Equipment | <u>2,432,236</u> | <u>2,372,498</u> | \$ 206,828 | \$ 204,429 |
| Total | 112,045,328 | 107,319,358 | 206,828 | 204,429 |
| Less: Accumulated Depreciation | <u>(45,360,753)</u> | <u>(41,409,378)</u> | <u>(99,613)</u> | <u>(82,074)</u> |
| Total | <u>\$ 66,684,575</u> | <u>\$ 65,909,980</u> | <u>\$ 107,215</u> | <u>\$ 122,355</u> |

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

Debt Administration. As of June 30, 2016 and 2015 the school district had long-term debt and outstanding long-term liabilities as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|--------------------------|--------------------------|
| Serial Bonds Payable | \$ 8,580,000 | \$ 9,780,000 |
| Obligations Under Capital Leases | 4,378,761 | 329,829 |
| Compensated Absences | 13,235,435 | 13,211,249 |
| Net Pension Liability (PERS) | <u>24,354,535</u> | <u>20,406,935</u> |
| Total | <u>\$ 50,548,731</u> | <u>\$ 43,728,013</u> |

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Many construction and renovation projects will be staged in various parts of the district. Recent legislation entitled the "Educational Facilities Construction and Financing Act" will help fund all major construction and improvement projects for the district. Complete information relating to this topic is available by reviewing the School District's long range facility plan on file in the School Business Administrator's office, 172 Midland Avenue, Kearny, NJ 07032.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the School Business Administrator's Office, Kearny Board of Education, 172 Midland Avenue, Kearny, NJ 07032.

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BASIC FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 14,839,026 | \$ 477,284 | \$ 15,316,310 |
| Receivables, net | | | |
| Receivables from Other Governments | 33,922,403 | 228,920 | 34,151,323 |
| Inventory | | 20,144 | 20,144 |
| Internal Balances | 100,000 | (100,000) | |
| Capital Assets | | | |
| Not Being Depreciated | 28,097,626 | | 28,097,626 |
| Being Depreciated, Net | 38,586,949 | 107,215 | 38,694,164 |
| Total Assets | 115,546,004 | 733,563 | 116,279,567 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amounts on Net Pension Liability | 4,410,149 | | 4,410,149 |
| Deferred Amount on Refunding | 430,754 | - | 430,754 |
| Total Deferred Outflows of Resources | 4,840,903 | - | 4,840,903 |
| Total Assets and Deferred Outflows of Resources | 120,386,907 | 733,563 | 121,120,470 |
| LIABILITIES | | | |
| Accounts Payable | 2,110,538 | 117,415 | 2,227,953 |
| Payable to Federal/State Governments | 60,471 | | 60,471 |
| Unearned Revenue | 19,508,307 | | 19,508,307 |
| Accrued Interest Payable | 157,827 | | 157,827 |
| Grant Note Payable | 15,000,000 | | 15,000,000 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 3,287,974 | | 3,287,974 |
| Due Beyond One Year | 47,897,446 | - | 47,897,446 |
| Total Liabilities | 88,022,563 | 117,415 | 88,139,978 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Amounts on Net Pension Liability | 471,368 | | 471,368 |
| Deferred Commodities Revenue | - | 4,592 | 4,592 |
| Total Deferred Inflows of Resources | 471,368 | 4,592 | 475,960 |
| Total Liabilities and Deferred Inflows of Resources | 88,493,931 | 122,007 | 88,615,938 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 57,535,963 | 107,215 | 57,643,178 |
| Restricted for: | | | |
| Capital Projects | 11,242,733 | | 11,242,733 |
| Debt Service | 14,417 | | 14,417 |
| Unrestricted | (36,900,137) | 504,341 | (36,395,796) |
| Total Net Position | \$ 31,892,976 | \$ 611,556 | \$ 32,504,532 |

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

KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| Functions/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|-------------------------|--|--|--|-----------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | | | | | | | |
| Regular | \$ 55,352,833 | \$ 10,305 | \$ 16,172,284 | | \$ (39,170,244) | | \$ (39,170,244) |
| Special Education | 15,560,078 | | 8,014,469 | | (7,545,609) | | (7,545,609) |
| Other Instruction | 3,357,362 | 65,058 | 990,230 | | (2,302,074) | | (2,302,074) |
| School Sponsored Activities and Athletics | 1,509,284 | | 309,286 | | (1,199,998) | | (1,199,998) |
| Support Services | | | | | | | |
| Student and Instruction Related Svcs. | 8,959,592 | | 2,305,048 | | (6,654,544) | | (6,654,544) |
| General Administration Services | 2,697,713 | | 85,123 | | (2,612,590) | | (2,612,590) |
| School Administration Services | 8,526,918 | | 1,893,701 | | (6,633,217) | | (6,633,217) |
| Plant Operations and Maintenance | 10,038,580 | | 349,429 | \$ 2,695,140 | (6,994,011) | | (6,994,011) |
| Pupil Transportation | 1,790,536 | | 50,648 | | (1,739,888) | | (1,739,888) |
| Business and Other Support Services | 2,189,236 | | 320,500 | | (1,868,736) | | (1,868,736) |
| Interest and Other Charges on Long-Term Debt | 545,646 | - | - | - | (545,646) | - | (545,646) |
| Total Governmental Activities | 110,527,778 | 75,363 | 30,490,718 | 2,695,140 | (77,266,557) | - | (77,266,557) |
| Business-Type Activities | | | | | | | |
| Food Service | 2,239,874 | 485,056 | 1,311,989 | - | - | \$ (442,829) | (442,829) |
| Total Business-Type Activities | 2,239,874 | 485,056 | 1,311,989 | - | - | (442,829) | (442,829) |
| Total Primary Government | \$ 112,767,652 | \$ 560,419 | \$ 31,802,707 | \$ 2,695,140 | (77,266,557) | (442,829) | (77,709,386) |
| General Revenues: | | | | | | | |
| Property Taxes, General | | | | | 47,944,682 | | 47,944,682 |
| Property Taxes, Debt Service | | | | | 1,070,232 | | 1,070,232 |
| Federal and State Aid - Unrestricted | | | | | 26,701,899 | | 26,701,899 |
| State Aid- Restricted for Debt Service | | | | | 425,956 | | 425,956 |
| Investment Income | | | | | 26,871 | | 26,871 |
| Miscellaneous Income | | | | | 1,081,059 | | 1,081,059 |
| Other Items | | | | | | | - |
| Transfers | | | | | (509,426) | 509,426 | - |
| Total General Revenues and Transfers | | | | | 76,741,273 | 509,426 | 77,250,699 |
| Change in Net Position | | | | | (525,284) | 66,597 | (458,687) |
| Net Position, Beginning of Year | | | | | 32,418,260 | 544,959 | 32,963,219 |
| Net Position, End of Year | | | | | \$ 31,892,976 | \$ 611,556 | \$ 32,504,532 |

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

FUND FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 9,085,095 | \$ 243,890 | \$ 5,510,041 | | \$ 14,839,026 |
| Due from Other Funds | 107,852 | | | | 107,852 |
| Receivables, Net | | | | | |
| Receivables From Other Governments | 734,521 | 1,453,942 | 31,733,940 | - | 33,922,403 |
| Total Assets | <u>\$ 9,927,468</u> | <u>\$ 1,697,832</u> | <u>\$ 37,243,981</u> | <u>\$ -</u> | <u>\$ 48,869,281</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 394,154 | \$ 325,682 | \$ 1,390,702 | | \$ 2,110,538 |
| Due to Other Funds | | | 7,852 | | 7,852 |
| Payable to Federal/State Governments | | 60,471 | | | 60,471 |
| Grant Note Payable | | | 15,000,000 | | 15,000,000 |
| Unearned Revenue | - | 1,311,679 | 18,196,628 | - | 19,508,307 |
| Total Liabilities | <u>394,154</u> | <u>1,697,832</u> | <u>34,595,182</u> | <u>-</u> | <u>36,687,168</u> |
| Fund Balances | | | | | |
| Restricted | | | | | |
| Capital Reserve | 8,662,011 | | | | 8,662,011 |
| Adult Education Program | 58,559 | | | | 58,559 |
| Excess Surplus | 482,308 | | | | 482,308 |
| Capital Projects | | | 2,634,382 | | 2,634,382 |
| Debt Service | | | 14,417 | | 14,417 |
| Committed | | | | | |
| Encumbrances | 309,878 | | | | 309,878 |
| Assigned | | | | | |
| Designated for Subsequent Year's | | | | | |
| Budget | 1,581,164 | | | | 1,581,164 |
| Designated for ARRA/SEMI | 62,762 | | | | 62,762 |
| Encumbrances | 23,858 | | | | 23,858 |
| Unassigned | | | | | |
| General Fund | (1,647,226) | - | - | - | (1,647,226) |
| Total Fund Balances | <u>9,533,314</u> | <u>-</u> | <u>2,648,799</u> | <u>-</u> | <u>12,182,113</u> |
| Total Liabilities and Fund Balances | <u>\$ 9,927,468</u> | <u>\$ 1,697,832</u> | <u>\$ 37,243,981</u> | <u>\$ -</u> | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$112,045,328 and the accumulated depreciation is \$45,360,753. 66,684,575

The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is (157,827)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | | |
|---|--------------|---------------------|
| General Obligation Bonds Payable | \$ 9,216,689 | |
| Deferred Amount on Debt Refunding | (430,754) | |
| Obligations Under Lease Purchase Agreements | 4,378,761 | |
| Compensated Absences | 13,235,435 | |
| Net Pension Liability | 24,354,535 | |
| Deferred Inflows of Resources | | |
| Deferred Amounts on Net Pension Liability | 471,368 | |
| Deferred Outflows of Resources | | |
| Deferred Amounts on Net Pension Liability | (4,410,149) | |
| | | <u>(46,815,885)</u> |

Net Position of Governmental Activities \$ 31,892,976

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax Levy | \$ 47,944,682 | | | \$ 1,070,232 | \$ 49,014,914 |
| Miscellaneous | 1,183,293 | \$ 25,183 | \$ 325,414 | - | 1,533,890 |
| Total - Local Sources | 49,127,975 | 25,183 | 325,414 | 1,070,232 | 50,548,804 |
| State Sources | 40,721,927 | 1,179,759 | 1,077,148 | 425,956 | 43,404,790 |
| Federal Sources | 253,728 | 3,209,276 | 1,292,578 | - | 4,755,582 |
| Total Revenues | 90,103,630 | 4,414,218 | 2,695,140 | 1,496,188 | 98,709,176 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Regular Instruction | 41,434,939 | 2,474,742 | | | 43,909,681 |
| Special Education Instruction | 12,830,185 | 1,272,957 | | | 14,103,142 |
| Other Instruction | 2,804,131 | 39,373 | | | 2,843,504 |
| School Sponsored Activities and Athletics | 1,339,932 | | | | 1,339,932 |
| Support Services | | | | | |
| Student and Instruction Related Services | 7,319,224 | 585,668 | | | 7,904,892 |
| General Administrative Services | 2,542,639 | | | | 2,542,639 |
| School Administrative Services | 7,378,796 | | | | 7,378,796 |
| Plant Operations and Maintenance | 9,576,584 | | | | 9,576,584 |
| Pupil Transportation | 1,719,521 | | | | 1,719,521 |
| Business and Central Services | 1,963,755 | | | | 1,963,755 |
| Debt Service | | | | | |
| Principal | 71,068 | | | 1,200,000 | 1,271,068 |
| Interest and Other Charges | 227,859 | | | 296,188 | 524,047 |
| Capital Outlay | 18,260 | 41,478 | 4,666,232 | - | 4,725,970 |
| Total Expenditures | 89,226,893 | 4,414,218 | 4,666,232 | 1,496,188 | 99,803,531 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | 876,737 | - | (1,971,092) | - | (1,094,355) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Lease Purchase Proceeds | | | 4,120,000 | | 4,120,000 |
| Transfers In | 67 | | | - | 67 |
| Transfers Out | (509,426) | - | (67) | - | (509,493) |
| Total Other Financing Sources and Uses | (509,359) | - | 4,119,933 | - | 3,610,574 |
| Net Change in Fund Balances | 367,378 | - | 2,148,841 | - | 2,516,219 |
| Fund Balance, Beginning of Year | 9,165,936 | - | 499,958 | - | 9,665,894 |
| Fund Balance, End of Year | \$ 9,533,314 | \$ - | \$ 2,648,799 | \$ - | \$ 12,182,113 |

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

**KEARNY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | | |
|---|--------------------|----------------------------|
| Net Change in Fund Balances - Governmental Funds (Exhibit B-2) | | \$ 2,516,219 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay expense exceeds depreciation in the current period. | | |
| Capital Outlays | \$ 4,725,970 | |
| Depreciation Expense | <u>(3,951,375)</u> | 774,595 |
| The issuance of long-term debt provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. It does not affect the statement of activities. | | |
| Capital Lease Proceeds | | (4,120,000) |
| In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid): | | |
| Net Increase in Compensated Absences Liability | | (24,186) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. | | |
| Repayment of Bond Principal | 1,200,000 | |
| Amortization of Premium | 69,717 | |
| Amortization of Deferred Loss on Refunding | (47,168) | |
| Repayment of Lease Purchase Obligations | <u>71,068</u> | 1,293,617 |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | | |
| Increase in Accrued Interest | | (44,148) |
| In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid). | | |
| Increase in Pension Expense - Public Employees' Retirement System | | <u>(921,381)</u> |
| Change in Net Position of Governmental Activities (Exhibit A-2) | | \$ <u>(525,284)</u> |

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016**

ASSETS

Current Assets

| | |
|---------------------------------------|---------------|
| Cash and Cash Equivalents | \$ 477,284 |
| Intergovernmental Accounts Receivable | 228,920 |
| Inventories | <u>20,144</u> |

| | |
|----------------------|----------------|
| Total Current Assets | <u>726,348</u> |
|----------------------|----------------|

Capital Assets

| | |
|------------------------------------|-----------------|
| Furniture, Machinery and Equipment | 206,828 |
| Less Accumulated Depreciation | <u>(99,613)</u> |

| | |
|----------------------|----------------|
| Total Capital Assets | <u>107,215</u> |
|----------------------|----------------|

| | |
|--------------|----------------|
| Total Assets | <u>833,563</u> |
|--------------|----------------|

LIABILITIES

Current Liabilities

| | |
|--------------------|----------------|
| Accounts Payable | 117,415 |
| Due to Other Funds | <u>100,000</u> |

| | |
|---------------------------|----------------|
| Total Current Liabilities | <u>217,415</u> |
|---------------------------|----------------|

| | |
|-------------------|----------------|
| Total Liabilities | <u>217,415</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|------------------------------|--------------|
| Deferred Commodities Revenue | <u>4,592</u> |
|------------------------------|--------------|

| | |
|-------------------------------------|--------------|
| Total Deferred Inflows of Resources | <u>4,592</u> |
|-------------------------------------|--------------|

| | |
|---|----------------|
| Total Liabilities and Deferred Inflows of Resources | <u>222,007</u> |
|---|----------------|

NET POSITION

| | |
|------------------------------|----------------|
| Investment in Capital Assets | 107,215 |
| Unrestricted | <u>504,341</u> |

| | |
|--------------------|-------------------|
| Total Net Position | <u>\$ 611,556</u> |
|--------------------|-------------------|

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

KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPERATING REVENUES

| | |
|---------------------------|----------------|
| Charges for Services | |
| Daily Sales | |
| Reimbursable Programs | \$ 285,213 |
| Non-Reimbursable Programs | 197,475 |
| Special Functions | <u>2,368</u> |
| Total Operating Revenues | <u>485,056</u> |

OPERATING EXPENSES

| | |
|---------------------------|------------------|
| Cost of Sales | |
| Reimbursable Programs | 734,128 |
| Non-Reimbursable Programs | 113,778 |
| Salaries and Wages | 1,008,643 |
| Employee Benefits | 119,254 |
| Management Fee | 70,397 |
| Other Expenses | 101,712 |
| Supplies and Materials | 74,423 |
| Depreciation | <u>17,539</u> |
| Total Operating Expenses | <u>2,239,874</u> |

Operating Income (Loss) (1,754,818)

NONOPERATING REVENUES

| | |
|-----------------------------------|------------------|
| State Sources | |
| State School Lunch Program | 23,376 |
| Federal Sources | |
| National School Lunch Program | 1,070,926 |
| National School Breakfast Program | 83,215 |
| Food Distribution Program | <u>134,472</u> |
| Total Nonoperating Revenues | <u>1,311,989</u> |

Operating (Loss) Before Transfers (442,829)

Net Transfers 509,426

Change in Net Position 66,597

Total Net Position, Beginning of Year 544,959

Total Net Position, End of Year \$ 611,556

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Cash Received from Customers | \$ 485,056 |
| Cash Payments for Employees Salaries and Benefits | (1,127,897) |
| Cash Payments to Suppliers | <u>(862,458)</u> |
| Net Cash (Used for) Operating Activities | <u>(1,505,299)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|------------------|
| Cash Received from General Fund | 509,426 |
| Cash Received from State and Federal Sources | <u>1,021,159</u> |
| Net Cash Provided By Non-Capital Financing Activities | <u>1,530,585</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Cash Payments for Capital Assets | <u>(2,399)</u> |
| Net Cash (Used For) Capital Financing Activities | <u>(2,399)</u> |

| | |
|--|-------------------|
| Net Change in Cash and Cash Equivalents | 22,887 |
| Cash and Cash Equivalents, Beginning of Year | <u>454,397</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 477,284</u> |

Reconciliation of Operating Income (Loss) to Net Cash (Used for) Operating Activities:

| | |
|--|-----------------------|
| Operating Income (Loss) | <u>\$ (1,754,818)</u> |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used for) Operating Activities | |
| Depreciation | 17,539 |
| Non Cash Federal Assistance-Food Distribution Program | 134,472 |
| (Increase) Decrease in Inventories | (3,387) |
| Increase (Decrease) in Deferred Commodities Revenue | 1,779 |
| Increase (Decrease) in Accounts Payable | <u>99,116</u> |
| Total Adjustments | <u>249,519</u> |

| | |
|--|-----------------------|
| Net Cash (Used for) Operating Activities | <u>\$ (1,505,299)</u> |
|--|-----------------------|

Non-Cash Financing Activities:

| | |
|---|------------|
| Fair Value Received - Food Distribution Program | \$ 136,251 |
|---|------------|

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

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

| | Scholarship Trust Funds | Unemployment Compensation Trust Fund | Agency Fund |
|---|------------------------------------|---|------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 265,662 | \$ 950,537 | \$ 886,410 |
| Due from Other Funds | - | 1,121 | - |
| Total Assets | 265,662 | 951,658 | \$ 886,410 |
| LIABILITIES | | | |
| Intergovernmental Payable | | 36,740 | |
| Accounts Payable | | 506 | |
| Due to Other Funds | | | \$ 1,121 |
| Due To Student Groups | | | 305,587 |
| Payroll Deductions and Withholdings | - | - | 579,702 |
| Total Liabilities | - | 37,246 | \$ 886,410 |
| NET POSITION | | | |
| Held In Trust For Unemployment Claims and Other Purposes | \$ 265,662 | \$ 914,412 | |

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

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Scholarship Trust Funds | Unemployment Compensation Trust Fund |
|---------------------------------------|------------------------------------|---|
| ADDITIONS | | |
| Interest Earnings | \$ 1,082 | \$ 1,390 |
| Employee Contributions | - | 130,666 |
| Total Additions | 1,082 | 132,056 |
| DEDUCTIONS | | |
| Scholarships Awarded | 5,500 | |
| Administrative Expenses | | 6,066 |
| Unemployment Claims and Contributions | - | 130,982 |
| Total Deductions | 5,500 | 137,048 |
| Change in Net Position | (4,418) | (4,992) |
| Net Position, Beginning of Year | 270,080 | 919,404 |
| Net Position, End of Year | \$ 265,662 | \$ 914,412 |

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

NOTES TO THE FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2016, the District adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

Additionally, the government reports the following fund type:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

4. Capital Assets

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets (Continued)*

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

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

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

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. The one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of unused vacation and sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

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

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

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

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

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

Designated for Subsequent Year's (2016/17) Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2016/2017 District budget certified for taxes.

ARRA/SEMI – This designation was created to dedicate the portion of the ARRA/SEMI revenue that is unexpended at June 30, 2016.

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

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$1,515,047. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$1,647,226 in the General Fund as of June 30, 2016 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2015/2016 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$1,647,226 in the General Fund is less than the delayed state aid payments at June 30, 2016.

C. Capital Reserve

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

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

| | | |
|-----------------------------|----------------|---------------------|
| Balance, July 1, 2015 | | \$ 8,413,359 |
| Increased by: | | |
| Interest Earnings | \$ 8,652 | |
| Deposit by Board Resolution | <u>240,000</u> | |
| | | <u>248,652</u> |
| Balance, June 30, 2016 | | <u>\$ 8,662,011</u> |

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$482,308. This amount will be appropriated in the 2017/2018 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$17,418,919 and bank and brokerage firm balances of the Board's deposits amounted to \$16,309,255. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

| | | |
|---------|--|----------------------|
| Insured | | <u>\$ 16,309,255</u> |
|---------|--|----------------------|

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 the Board’s bank balances were not exposed to custodial credit risk.

Investments

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

As of June 30, 2016, the Board had no outstanding investments.

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

B. Receivables

Receivables as of June 30, 2016 for the district’s individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Food Service</u> | <u>Total</u> |
|---------------------------------------|-------------------|----------------------------|-----------------------------|-------------------------|----------------------|
| Receivables: | | | | | |
| Intergovernmental | | | | | |
| Federal | \$ 105,123 | \$ 1,453,942 | \$ 11,663,113 | \$ 224,470 | \$ 13,446,648 |
| State | 611,975 | | 17,155,049 | 4,450 | 17,771,474 |
| Other | <u>17,423</u> | <u>-</u> | <u>2,915,778</u> | <u>-</u> | <u>2,933,201</u> |
| | <u>734,521</u> | <u>1,453,942</u> | <u>31,733,940</u> | <u>228,920</u> | <u>34,151,323</u> |
| Gross Receivables | 734,521 | 1,453,942 | 31,733,940 | 228,920 | 34,151,323 |
| Less: Allowance for Uncollectibles | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Total Receivables | <u>\$ 734,521</u> | <u>\$ 1,453,942</u> | <u>\$ 31,733,940</u> | <u>\$ 228,920</u> | <u>\$ 34,151,323</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

| | <u>Total</u> |
|---|--------------------------|
| Special Revenue Fund | |
| Unencumbered Grant Drawdowns | \$ 1,311,679 |
| Capital Projects Fund | |
| Unrealized School Facilities Grants | <u>18,196,628</u> |
| Total Unearned Revenue for Governmental Funds | <u>\$ 19,508,307</u> |

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

| | <u>Balance, July 1, 2015</u> | <u>Increases</u> | <u>Decreases/ Adjustments</u> | <u>Balance, June 30, 2016</u> |
|--|----------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 245,000 | | | \$ 245,000 |
| Construction in Progress | <u>26,364,939</u> | <u>\$ 4,666,232</u> | <u>\$ (3,178,545)</u> | <u>27,852,626</u> |
| Total Capital Assets, Not Being Depreciated | <u>26,609,939</u> | <u>4,666,232</u> | <u>(3,178,545)</u> | <u>28,097,626</u> |
| Capital Assets, Being Depreciated: | | | | |
| Site Improvements | 123,555 | | | 123,555 |
| Buildings and Improvements | 78,213,366 | 3,178,545 | | 81,391,911 |
| Machinery and Equipment | <u>2,372,498</u> | <u>59,738</u> | <u>-</u> | <u>2,432,236</u> |
| Total Capital Assets Being Depreciated | <u>80,709,419</u> | <u>3,238,283</u> | <u>-</u> | <u>83,947,702</u> |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | (37,068) | (6,178) | | (43,246) |
| Buildings and Improvements | (40,352,199) | (3,737,600) | | (44,089,799) |
| Machinery and Equipment | <u>(1,020,111)</u> | <u>(207,597)</u> | <u>-</u> | <u>(1,227,708)</u> |
| Total Accumulated Depreciation | <u>(41,409,378)</u> | <u>(3,951,375)</u> | <u>-</u> | <u>(45,360,753)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>39,300,041</u> | <u>(713,092)</u> | <u>-</u> | <u>38,586,949</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 65,909,980</u> | <u>\$ 3,953,140</u> | <u>\$ (3,178,545)</u> | <u>\$ 66,684,575</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

| | Balance, <u>July 1, 2015</u> | <u>Increases</u> | <u>Decreases/ Adjustments</u> | Balance, <u>June 30, 2016</u> |
|--|---------------------------------|--------------------|-----------------------------------|----------------------------------|
| Business-Type Activities: | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Machinery and Equipment | \$ 204,429 | \$ 2,399 | - | \$ 206,828 |
| Total Capital Assets Being Depreciated | <u>204,429</u> | <u>2,399</u> | - | <u>206,828</u> |
| Less Accumulated Depreciation for: | | | | |
| Machinery and Equipment | (82,074) | (17,539) | - | (99,613) |
| Total Accumulated Depreciation | <u>(82,074)</u> | <u>(17,539)</u> | - | <u>(99,613)</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 122,355</u> | <u>\$ (15,140)</u> | <u>\$ -</u> | <u>\$ 107,215</u> |

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

Governmental Activities:

| | | |
|--|--|---------------------|
| Instruction | | |
| Regular | | \$ 3,868,395 |
| Special | | 1,976 |
| Total Instruction | | <u>3,870,371</u> |
| Support Services | | |
| Support Services - Students | | 21,733 |
| General Administration | | 19,362 |
| School Administration | | 2,766 |
| Operations and Maintenance of Plant | | 11,459 |
| Student Transportation | | 25,684 |
| Total Support Services | | <u>81,004</u> |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 3,951,375</u> |

Business-Type Activities:

| | | |
|---|--|------------------|
| Food Service Fund | | \$ 17,539 |
| Total Depreciation Expense-Business-Type Activities | | <u>\$ 17,539</u> |

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2016:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|---|----------------------|---------------------------------|
| Aircraft Noise Abatement - Kearny High School | <u>\$ 27,852,624</u> | <u>\$ 28,127,636</u> |

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------------|------------------------------|-------------------|
| General Fund | Capital Projects Fund | \$ 7,852 |
| General Fund | Food Service Enterprise Fund | 100,000 |
| Unemployment Compensation Trust Fund | Payroll Agency Fund | <u>1,121</u> |
| Total | | <u>\$ 108,973</u> |

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

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

Interfund transfers

| | <u>Transfer In:</u> | | |
|-----------------------------|---------------------|----------------------------|-------------------|
| | <u>General</u> | <u>Enterprise Fund</u> | <u>Total</u> |
| <u>Transfer Out:</u> | | | |
| General Fund | | \$ 509,426 | \$ 509,426 |
| Capital Projects Fund | <u>\$ 67</u> | <u>-</u> | <u>67</u> |
| Total Transfers Out | <u>\$ 67</u> | <u>\$ 509,426</u> | <u>\$ 509,493</u> |

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases copy machines and printers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2016 were \$142,670. The future minimum lease payments for these operating leases are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|---------------------------------------|-------------------|
| 2017 | \$ 131,825 |
| 2018 | 131,825 |
| 2019 | <u>33,658</u> |
| Total | <u>\$ 297,308</u> |

Capital Leases

The District is leasing computers totaling \$394,437 under capital leases. The lease term is 5 years.

During the 2015/16 school year, the District entered into a five year lease purchase agreement for the acquisition of equipment totaling \$4,120,000. As of June 30, 2016 no capital assets have been acquired.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2017 | \$ 956,397 |
| 2018 | 956,397 |
| 2019 | 956,397 |
| 2020 | 852,346 |
| 2021 | <u>852,346</u> |
| Total Minimum Lease Payments | 4,573,883 |
| Less: Amount Representing Interest | <u>(195,122)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 4,378,761</u> |

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2016 are comprised of the following issues:

| | |
|---|--------------------|
| \$12,725,000, 2007 Bonds, due in annual installments of \$950,000 through July 15, 2017, interest at 4.25% | \$1,900,000 |
| \$6,740,000, 2015 Bonds, due in annual installments of \$180,000 to \$1,140,000 through July 15, 2025, interest at 2.0% to 4.0% | <u>6,680,000</u> |
| | <u>\$8,580,000</u> |

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

Governmental Activities:

| Fiscal Year Ending June 30, | <u>Serial Bonds</u> | | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2017 | \$ 1,130,000 | \$ 321,463 | \$ 1,451,463 |
| 2018 | 1,130,000 | 275,688 | 1,405,688 |
| 2019 | 1,135,000 | 230,100 | 1,365,100 |
| 2020 | 1,135,000 | 184,700 | 1,319,700 |
| 2021 | 1,140,000 | 139,200 | 1,279,200 |
| 2022-2026 | <u>2,910,000</u> | <u>179,800</u> | <u>3,089,800</u> |
| | <u>\$ 8,580,000</u> | <u>\$ 1,330,951</u> | <u>\$ 9,910,951</u> |

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

| | |
|---|-----------------------|
| 4% of Equalized Valuation Basis (Municipal) | \$ 135,481,070 |
| Less: Net Debt | <u>8,580,000</u> |
| Remaining Borrowing Power | <u>\$ 126,901,070</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

| | <u>Balance, July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance, June 30, 2016</u> | <u>Due Within One Year</u> |
|--|----------------------------------|----------------------|---------------------|-----------------------------------|------------------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable | \$ 9,780,000 | | \$ 1,200,000 | \$ 8,580,000 | \$ 1,130,000 |
| Add: Premium on Bonds | <u>706,406</u> | - | <u>69,717</u> | <u>636,689</u> | - |
| Total Bonds Payable | 10,486,406 | - | 1,269,717 | 9,216,689 | 1,130,000 |
| Obligations Under Lease Purchase | 329,829 | \$ 4,120,000 | 71,068 | 4,378,761 | 912,104 |
| Compensated Absences | 13,211,249 | 1,732,920 | 1,708,734 | 13,235,435 | 1,245,870 |
| Net Pension Liability | <u>20,406,935</u> | <u>5,801,731</u> | <u>1,854,131</u> | <u>24,354,535</u> | - |
| Governmental Activity Long-Term Liabilities | <u>\$ 44,434,419</u> | <u>\$ 11,654,651</u> | <u>\$ 4,903,650</u> | <u>\$ 51,185,420</u> | <u>\$ 3,287,974</u> |

For the governmental activities, the liabilities for compensated absences, obligations under lease purchases and net pension liability are generally liquidated by the general fund.

I. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2016 was as follows:

Grant Anticipation Notes

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction grants. The Board's short-term debt activity for the fiscal year ended June 30, 2016 was as follows:

| <u>Purpose</u> | <u>Rate %</u> | <u>Maturity Date</u> | <u>Balance, July 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance, June 30, 2016</u> |
|-------------------------|-------------------|--------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|
| Grant Anticipation Note | 1.38% | 10/9/2015 | \$ 15,000,000 | | \$ 15,000,000 | |
| Grant Anticipation Note | 2.00% | 10/7/2016 | - | \$ 15,000,000 | - | \$ 15,000,000 |
| | | | <u>\$ 15,000,000</u> | <u>\$ 15,000,000</u> | <u>\$ 15,000,000</u> | <u>\$ 15,000,000</u> |

NOTE 4 OTHER INFORMATION

A. Risk Management

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

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

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

| <u>Fiscal Year Ended June 30,</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|---------------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2016 | \$ 130,666 | \$ 130,982 | \$ 914,412 |
| 2015 | 130,417 | 104,576 | 919,404 |
| 2014 | 126,750 | 94,130 | 898,266 |

B. Contingent Liabilities

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

During the 2015/16 school year, the School Administration and a former general construction contractor attended several arbitration hearings in anticipation of settling a claim filed by the contractor in the spring of 2013. On January 20, 2016 the Arbitration Board awarded a decision which obligated the Board to pay \$2,859,253 to the contractor, plus interest of \$57,536. A portion of this amount was charged to the Noise Abatement Capital Project and \$1,257,598 was budgeted in the 2016-17 General Fund budget.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2016, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

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

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.9 percent and \$22.4 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

| Fiscal Year Ended <u>June 30,</u> | <u>PERS</u> | On-Behalf <u>TPAF</u> | <u>DCRP</u> |
|---|-------------|--------------------------|-------------|
| 2016 | \$ 932,750 | \$ 3,191,128 | \$ 53,006 |
| 2015 | 898,543 | 2,100,502 | 19,210 |
| 2014 | 751,858 | 1,604,293 | 18,936 |

For fiscal years 2015/2016 and 2014/2015, the state contributed \$3,191,128 and \$2,100,502, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$1,604,293 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,797,821 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$24,354,535 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was 0.10849 percent, which was a decrease of .00051 percent from its proportionate share measured as of June 30, 2014 of 0.10900 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,854,131 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference Between Expected and Actual Experience | \$ 581,014 | |
| Changes of Assumptions | 2,615,483 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | \$ 391,574 |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>1,213,652</u> | <u>79,794</u> |
| Total | <u>\$ 4,410,149</u> | <u>\$ 471,368</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

| Fiscal Year Ending <u>June 30,</u> | |
|--|---------------------|
| 2017 | \$ 766,758 |
| 2018 | 766,758 |
| 2019 | 766,758 |
| 2020 | 1,070,794 |
| 2021 | <u>567,713</u> |
| | <u>\$ 3,938,781</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|--------------------------------|----------------|
| Inflation Rate | 3.04% |
| Salary Increases: | |
| 2012-2021 | 2.15-4.40% |
| | Based on Age |
| Thereafter | 3.15-5.40% |
| | Based on Age |
| Investment Rate of Return | 7.90% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience | July 1, 2008 - |
| Study Upon Which Actuarial | June 30, 2011 |
| Assumptions were Based | |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash | 5.00% | 1.04% |
| U.S. Treasuries | 1.75% | 1.64% |
| Investment Grade Credit | 10.00% | 1.79% |
| Mortgages | 2.10% | 1.62% |
| High Yield Bonds | 2.00% | 4.03% |
| Inflation-Indexed Bonds | 1.50% | 3.25% |
| Broad US Equities | 27.25% | 8.52% |
| Developed Foreign Equities | 12.00% | 6.88% |
| Emerging Market Equities | 6.40% | 10.00% |
| Private Equity | 9.25% | 12.41% |
| Hedge Funds/Absolute Return | 12.00% | 4.72% |
| Real Estate (Property) | 2.00% | 6.83% |
| Commodities | 1.00% | 5.32% |
| Global Debt ex US | 3.50% | -0.40% |
| REIT | 4.25% | 5.12% |

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was 4.90%.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$14,993,872 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$245,563,648. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was .38852 percent, which was an increase of .00929 percent from its proportionate share measured as of June 30, 2014 of 0.37923 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

| | |
|--|------------------------------|
| Inflation Rate | 2.50% |
| Salary Increases: | |
| 2012-2021 | Varies based on experience |
| Thereafter | Varies based on experience |
| Investment Rate of Return | 7.90% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based | July 1, 2009 - June 30, 2012 |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| US Cash | 5.00% | 0.53% |
| US Government Bonds | 1.75% | 1.39% |
| US Credit Bonds | 13.50% | 2.72% |
| US Mortgages | 2.10% | 2.54% |
| US Inflation-Indexed Bonds | 1.50% | 1.47% |
| US High Yield Bonds | 2.00% | 4.57% |
| US Equity Market | 27.25% | 5.63% |
| Foreign-Developed Equity | 12.00% | 6.22% |
| Emerging Markets Equity | 6.40% | 8.46% |
| Private Real Estate Property | 4.25% | 3.97% |
| Timber | 1.00% | 4.09% |
| Farmland | 1.00% | 4.61% |
| Private Equity | 9.25% | 9.15% |
| Commodities | 1.00% | 3.58% |
| Hedge Funds - MultiStrategy | 4.00% | 4.59% |
| Hedge Funds - Equity Hedge | 4.00% | 5.68% |
| Hedge Funds - Distressed | 4.00% | 4.30% |

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was 4.13%.

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

| | |
|--|-------------------------------------|
| Period of Projected Benefit Payments for which the Following Rates were Applied: | |
| Long-Term Expected Rate of Return | Through June 30, 2027 |
| Municipal Bond Rate * | From July 1, 2027 and Thereafter |

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|--|------------------------------------|--|------------------------------------|
| State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District | <u>\$ 291,843,217</u> | <u>\$ 245,563,648</u> | <u>\$ 205,691,030</u> |

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$3,799,751, \$3,334,547 and \$2,630,438, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

On September 19, 2016, the Board of Education authorized the withdrawal of \$8 million from its capital reserve funds to fund costs associated with the Kearny High School Expansion/Noise Abatement Project.

BUDGETARY COMPARISON SCHEDULES

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|-----------------------|-------------------|-------------------|--------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Taxes | \$ 47,944,682 | | \$ 47,944,682 | \$ 47,944,682 | |
| Tuition from Summer School | 2,000 | | 2,000 | 10,305 | \$ 8,305 |
| Rents and Royalties | 60,000 | | 60,000 | 36,462 | (23,538) |
| Interest on Capital Reserve | 1,000 | | 1,000 | 8,652 | 7,652 |
| Unrestricted Miscellaneous Revenues | 370,000 | - | 370,000 | 1,062,816 | 692,816 |
| Total Local Sources | 48,377,682 | - | 48,377,682 | 49,062,917 | 685,235 |
| Intermediate Sources | | | | | |
| Restricted Miscellaneous Revenues | 60,000 | - | 60,000 | 65,058 | 5,058 |
| State Sources | | | | | |
| Equalization Aid | 26,090,104 | | 26,090,104 | 26,090,104 | |
| Special Education Aid | 3,528,116 | | 3,528,116 | 3,528,116 | |
| Security Aid | 349,488 | | 349,488 | 349,488 | |
| Transportation Aid | 50,657 | | 50,657 | 50,657 | |
| Other State Aids | 616,280 | | 616,280 | 616,280 | |
| Extraordinary Aid | 204,562 | | 204,562 | 313,834 | 109,272 |
| On Behalf TPAF (Non Budgeted) | | | | | |
| NCGI Premium | | | | 151,419 | 151,419 |
| Pension Contribution | | | | 3,039,709 | 3,039,709 |
| Post Retirement Medical Contributions | | | | 3,799,751 | 3,799,751 |
| Reimbursed Social Security Contribution | - | - | - | 2,797,821 | 2,797,821 |
| Total State Sources | 30,839,207 | - | 30,839,207 | 40,737,179 | 9,897,972 |
| Federal Sources | | | | | |
| Medicaid Assistance Program | 133,215 | - | 133,215 | 253,728 | 120,513 |
| Total Federal Sources | 133,215 | - | 133,215 | 253,728 | 120,513 |
| Total Revenues | 79,410,104 | - | 79,410,104 | 90,118,882 | 10,708,778 |
| EXPENDITURES | | | | | |
| CURRENT | | | | | |
| Instruction - Regular Programs | | | | | |
| Salaries of Teachers | | | | | |
| Kindergarten | 1,929,725 | \$ 103,575 | 2,033,300 | 2,032,776 | 524 |
| Grades 1-5 | 10,324,923 | (58,792) | 10,266,131 | 10,265,737 | 394 |
| Grades 6-8 | 6,003,337 | 211,379 | 6,214,716 | 6,214,716 | |
| Grades 9-12 | 8,534,509 | (200,752) | 8,333,757 | 8,333,757 | |
| Regular Programs - Home Instruction | | | | | |
| Salaries of Teachers | 130,760 | (1,800) | 128,960 | 106,156 | 22,804 |
| Purchased Professional Educational Services | 32,406 | | 32,406 | 7,970 | 24,436 |
| Regular Programs - Undistributed Instruction | | | | | |
| Purchased Professional Educational Services | 374,700 | | 374,700 | 362,884 | 11,816 |
| Other Purchased Services | 287,294 | | 287,294 | 212,918 | 74,376 |
| General Supplies | 631,639 | 205,625 | 837,264 | 737,077 | 100,187 |
| Textbooks | 334,605 | (16,917) | 317,688 | 272,913 | 44,775 |
| Other Objects | 138,000 | (4,696) | 133,304 | 92,890 | 40,414 |
| Total Regular Programs | 28,721,898 | 237,622 | 28,959,520 | 28,639,794 | 319,726 |
| Learning /Language Disabilities | | | | | |
| Salaries of Teachers | 990,443 | 217,780 | 1,208,223 | 1,202,264 | 5,959 |
| Other Salaries for Instruction | 284,901 | 129,247 | 414,148 | 414,148 | |
| General Supplies | 7,190 | 103 | 7,293 | 4,331 | 2,962 |
| Textbooks | 2,914 | (2,914) | | | - |
| Other Objects | 1,251 | - | 1,251 | - | 1,251 |
| Total Learning /Language Disabilities | 1,286,699 | 344,216 | 1,630,915 | 1,620,743 | 10,172 |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final To Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|-------------------|---|
| EXPENDITURES | | | | | |
| CURRENT (Continued) | | | | | |
| Behavioral Disabilities | | | | | |
| Salaries of Teachers | \$ 130,802 | \$ (63,589) | \$ 67,213 | \$ 63,660 | \$ 3,553 |
| General Supplies | 2,992 | | 2,992 | 2,590 | 402 |
| Textbooks | 663 | - | 663 | 221 | 442 |
| Total Behavioral Disabilities | <u>134,457</u> | <u>(63,589)</u> | <u>70,868</u> | <u>66,471</u> | <u>4,397</u> |
| Resource Room/Resource Center | | | | | |
| Salaries of Teachers | 3,430,601 | 343,481 | 3,774,082 | 3,774,082 | |
| Other Salaries for Instruction | 947,886 | (611,004) | 336,882 | 336,882 | |
| General Supplies | 3,377 | 2,914 | 6,291 | 4,696 | 1,595 |
| Textbooks | 2,875 | 5,000 | 7,875 | 5,000 | 2,875 |
| Total Resource Room/Resource Center | <u>4,384,739</u> | <u>(259,609)</u> | <u>4,125,130</u> | <u>4,120,660</u> | <u>4,470</u> |
| Preschool Disabilities - Part - Time | | | | | |
| Salaries of Teachers | 222,892 | (26,418) | 196,474 | 187,348 | 9,126 |
| Other Salaries for Instruction | 139,830 | (139,830) | | | |
| General Supplies | 2,793 | - | 2,793 | 2,765 | 28 |
| Total Preschool Disabilities - Part - Time | <u>365,515</u> | <u>(166,248)</u> | <u>199,267</u> | <u>190,113</u> | <u>9,154</u> |
| Total Special Education | <u>6,171,410</u> | <u>(145,230)</u> | <u>6,026,180</u> | <u>5,997,987</u> | <u>28,193</u> |
| Basic Skills/Remedial | | | | | |
| Salaries of Teachers | 602,320 | (17,593) | 584,727 | 555,416 | 29,311 |
| General Supplies | 15,940 | (4,504) | 11,436 | | 11,436 |
| Textbooks | 2,037 | - | 2,037 | - | 2,037 |
| Total Basic Skills/Remedial | <u>620,297</u> | <u>(22,097)</u> | <u>598,200</u> | <u>555,416</u> | <u>42,784</u> |
| Bilingual Education | | | | | |
| Salaries of Teachers | 1,005,410 | 17,592 | 1,023,002 | 1,023,002 | |
| General Supplies | 6,351 | | 6,351 | 5,505 | 846 |
| Textbooks | 5,789 | - | 5,789 | - | 5,789 |
| Total Bilingual Education | <u>1,017,550</u> | <u>17,592</u> | <u>1,035,142</u> | <u>1,028,507</u> | <u>6,635</u> |
| Vocational Programs- Local - Instruction | | | | | |
| Salaries of Teachers | 239,175 | 5,243 | 244,418 | 244,418 | |
| General Supplies | 37,857 | 5,331 | 43,188 | 38,198 | 4,990 |
| Total Vocational Programs- Local - Instruction | <u>277,032</u> | <u>10,574</u> | <u>287,606</u> | <u>282,616</u> | <u>4,990</u> |
| School Sponsored Co/Extra Curricular Activities | | | | | |
| Salaries | 117,943 | 3,737 | 121,680 | 121,680 | |
| Purchased Services | 13,827 | (245) | 13,582 | 10,577 | 3,005 |
| Total School Sponsored Co/Extra Curricular Activities | <u>131,770</u> | <u>3,492</u> | <u>135,262</u> | <u>132,257</u> | <u>3,005</u> |
| School Sponsored Athletics | | | | | |
| Salaries | 468,254 | 18,660 | 486,914 | 486,914 | |
| Purchased Services | 273,047 | (51,408) | 221,639 | 211,638 | 10,001 |
| Supplies and Materials | 65,200 | 3,114 | 68,314 | 65,790 | 2,524 |
| Other Objects | 102,244 | 54,484 | 156,728 | 153,703 | 3,025 |
| Total School Sponsored Athletics | <u>908,745</u> | <u>24,850</u> | <u>933,595</u> | <u>918,045</u> | <u>15,550</u> |
| Total - Instruction | <u>37,848,702</u> | <u>126,803</u> | <u>37,975,505</u> | <u>37,554,622</u> | <u>420,883</u> |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final To Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|------------------|---|
| EXPENDITURES | | | | | |
| CURRENT (Continued) | | | | | |
| Undistributed Expenditures | | | | | |
| Instruction | | | | | |
| Tuition to Other LEAs Outside State-Special | \$ 210,509 | | \$ 210,509 | \$ 203,678 | \$ 6,831 |
| Tuition to Private School for Disabled W/I State | 4,196,276 | \$ (312,155) | 3,884,121 | 3,759,235 | 124,886 |
| Total Undistributed Expenditures - Instruction | 4,406,785 | (312,155) | 4,094,630 | 3,962,913 | 131,717 |
| Attendance and Social Work | | | | | |
| Salaries | 19,227 | - | 19,227 | 16,335 | 2,892 |
| Total Attendance and Social Work | 19,227 | - | 19,227 | 16,335 | 2,892 |
| Health Services | | | | | |
| Salaries | 693,075 | 24,051 | 717,126 | 714,601 | 2,525 |
| Purchased Professional and Technical Services | 8,000 | | 8,000 | 8,000 | |
| Other Purchased Services | 94,137 | 20,000 | 114,137 | 107,821 | 6,316 |
| Supplies and Materials | 10,747 | 2,000 | 12,747 | 11,351 | 1,396 |
| Total Health Services | 805,959 | 46,051 | 852,010 | 841,773 | 10,237 |
| Speech, OT, PT & Related Services | | | | | |
| Purchased Professional - Educational Services | 563,536 | - | 563,536 | 552,691 | 10,845 |
| Total Speech, OT, PT & Related Services | 563,536 | - | 563,536 | 552,691 | 10,845 |
| Guidance | | | | | |
| Salaries of Other Professional Staff | 1,253,174 | 15,808 | 1,268,982 | 1,268,982 | |
| Salaries of Secretarial and Clerical Assistants | 102,448 | 15,844 | 118,292 | 118,292 | |
| Purchased Professional-Educational Services | 6,332 | | 6,332 | 5,965 | 367 |
| Supplies and Materials | 397 | - | 397 | - | 397 |
| Total Guidance | 1,362,351 | 31,652 | 1,394,003 | 1,393,239 | 764 |
| Child Study Teams | | | | | |
| Salaries of Other Professional Staff | 1,459,120 | 47,211 | 1,506,331 | 1,506,331 | |
| Salaries of Secretarial and Clerical Assistants | 113,944 | 1,086 | 115,030 | 115,030 | |
| Supplies and Materials | 38,247 | (11,303) | 26,944 | 26,195 | 749 |
| Total Child Study Teams | 1,611,311 | 36,994 | 1,648,305 | 1,647,556 | 749 |
| Improvement of Instructional Service | | | | | |
| Salaries of Secretarial and Clerical Assistants | | 24,066 | 24,066 | 24,066 | |
| Salaries of Facilitators, Math & Literacy Coaches | 126,005 | (36,107) | 89,898 | 89,212 | 686 |
| Total Improvement of Instructional Service | 126,005 | (12,041) | 113,964 | 113,278 | 686 |
| Educational Media Services/School Library | | | | | |
| Salaries | 545,244 | 8,401 | 553,645 | 550,725 | 2,920 |
| Supplies and Materials | 33,047 | (4,635) | 28,412 | 25,145 | 3,267 |
| Total Educational Media Services/School Library | 578,291 | 3,766 | 582,057 | 575,870 | 6,187 |
| Instructional Staff Training Services | | | | | |
| Purchased Professional-Educational Services | 25,000 | 10,468 | 35,468 | 34,807 | 661 |
| Supplies and Materials | 8,000 | | 8,000 | 7,979 | 21 |
| Other Objects | 6,694 | - | 6,694 | 5,355 | 1,339 |
| Total Improvement of Instructional Service | 39,694 | 10,468 | 50,162 | 48,141 | 2,021 |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|-----------------------|------------------|------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT (Continued) | | | | | |
| Support Services General Administration | | | | | |
| Salaries | \$ 973,643 | \$ 87,511 | \$ 1,061,154 | \$ 1,061,154 | |
| Legal Services | 227,515 | 57,119 | 284,634 | 284,634 | |
| Audit Fees | 42,680 | 5,255 | 47,935 | 47,935 | |
| Architectural/Engineering Services | 97,236 | 32,786 | 130,022 | 87,055 | \$ 42,967 |
| Other Purchased Professional Services | 65,335 | (5,220) | 60,115 | 60,115 | |
| Purchased Technical Services | 78,706 | 2,793 | 81,499 | 73,328 | 8,171 |
| Communications/Telephone | 160,443 | (24,665) | 135,778 | 101,370 | 34,408 |
| Miscellaneous Purchased Services | 106,067 | 2,167 | 108,234 | 108,234 | |
| General Supplies | 13,977 | 1,338 | 15,315 | 14,761 | 554 |
| BOE In-House Training/Meeting Supplies | 1,244 | - | 1,244 | 1,215 | 29 |
| Judgments Against the School District | | 100,000 | 100,000 | 100,000 | |
| Miscellaneous Expenditures | 47,643 | (16) | 47,627 | 41,011 | 6,616 |
| BOE Membership Dues and Fees | 28,047 | 16 | 28,063 | 28,062 | 1 |
| Total Support Services General Administration | 1,842,536 | 259,084 | 2,101,620 | 2,008,874 | 92,746 |
| Support Services School Administration | | | | | |
| Salaries of Principals/Asst. Principals | 3,511,900 | 214,403 | 3,726,303 | 3,726,303 | |
| Salaries of Secretarial and Clerical Assistants | 1,093,045 | (5,410) | 1,087,635 | 1,087,635 | |
| Other Purchased Services | 27,300 | 6,480 | 33,780 | 29,021 | 4,759 |
| Supplies and Materials | 320,131 | (134,635) | 185,496 | 174,528 | 10,968 |
| Other Objects | 40,606 | (3,240) | 37,366 | 35,351 | 2,015 |
| Total Support Services School Administration | 4,992,982 | 77,598 | 5,070,580 | 5,052,838 | 17,742 |
| Central Services | | | | | |
| Salaries | 646,932 | | 646,932 | 642,479 | 4,453 |
| Purchased Professional Services | 43,895 | 7,238 | 51,133 | 51,126 | 7 |
| Purchased Technical Services | 8,563 | (3,500) | 5,063 | 4,250 | 813 |
| Supplies and Materials | 31,404 | (15,460) | 15,944 | 11,152 | 4,792 |
| Interest on Current Loans | 206,250 | | 206,250 | 206,250 | |
| Other Objects | 4,580 | 1,149 | 5,729 | 4,099 | 1,630 |
| Total Central Services | 941,624 | (10,573) | 931,051 | 919,356 | 11,695 |
| Admin. Info. Technology | | | | | |
| Salaries | 477,815 | 11,722 | 489,537 | 489,537 | - |
| Purchased Professional Services | 2,653 | - | 2,653 | - | 2,653 |
| Total Admin. Info. Technology | 480,468 | 11,722 | 492,190 | 489,537 | 2,653 |
| Required Maintenance for School Facilities | | | | | |
| Salaries | 1,180,837 | 197,956 | 1,378,793 | 1,378,793 | - |
| Cleaning, Repair and Maintenance Services | 638,653 | 40,940 | 679,593 | 664,664 | 14,929 |
| General Supplies | 220,022 | 180,574 | 400,596 | 294,955 | 105,641 |
| Total Required Maint. for School Facilities | 2,039,512 | 419,470 | 2,458,982 | 2,338,412 | 120,570 |
| Custodial Services | | | | | |
| Salaries | 2,823,666 | (55,894) | 2,767,772 | 2,766,975 | 797 |
| Purchased Property Services | 71,235 | (20,604) | 50,631 | 50,631 | |
| Insurance | 326,800 | (12,640) | 314,160 | 314,160 | |
| General Supplies | 138,896 | 78,573 | 217,469 | 217,082 | 387 |
| Energy (Electricity) | 773,768 | | 773,768 | 771,631 | 2,137 |
| Energy (Natural Gas) | 536,595 | (93,428) | 443,167 | 425,847 | 17,320 |
| Other Objects | 32,108 | (7,900) | 24,208 | 23,039 | 1,169 |
| Total Custodial Services | 4,703,068 | (111,893) | 4,591,175 | 4,569,365 | 21,810 |
| Care and Upkeep of Grounds | | | | | |
| Salaries | 138,577 | 787 | 139,364 | 139,364 | - |
| Total Care and Upkeep of Grounds | 138,577 | 787 | 139,364 | 139,364 | - |
| Security | | | | | |
| Salaries | 167,440 | 66,124 | 233,564 | 233,564 | - |
| Total Security | 167,440 | 66,124 | 233,564 | 233,564 | - |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final To Actual</u> |
|---|----------------------------|-------------------------------|-------------------------|-------------------|---|
| EXPENDITURES | | | | | |
| CURRENT (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| Student Transportation Services | | | | | |
| Salaries for Pupil Transportation (Between Home and School) - Special Ed. | \$ 430,536 | \$ (26,992) | \$ 403,544 | \$ 403,544 | |
| Salaries for Pupil Transportation (Other Than Between and School) | 42,136 | 8,976 | 51,112 | 51,112 | |
| Cleaning, Repair & Maint. Services | 66,325 | | 66,325 | 65,447 | \$ 878 |
| Contracted Services (Between Home and School) Vendors | 902,910 | 53,728 | 956,638 | 956,638 | |
| Contracted Services (Other than Between Home and School) - Vendors | 7,863 | (2,578) | 5,285 | 5,193 | 92 |
| Misc. Purchased Services- Transportation | 5,848 | | 5,848 | 5,750 | 98 |
| General Supplies | 691 | | 691 | 577 | 114 |
| Transportation Supplies | 1,390 | (1,134) | 256 | 256 | - |
| Total Student Transportation Services | <u>1,457,699</u> | <u>32,000</u> | <u>1,489,699</u> | <u>1,488,517</u> | <u>1,182</u> |
| Unallocated Benefits | | | | | |
| Group Insurance | 20,581 | | 20,581 | 16,939 | 3,642 |
| Social Security Contribution | 1,263,413 | 198,197 | 1,461,610 | 1,461,610 | |
| Other Retirement Contributions - PERS | 938,773 | | 938,773 | 932,750 | 6,023 |
| Other Retirement Contributions - Regular (DCRP) | 55,500 | | 55,500 | 53,006 | 2,494 |
| Unused Sick Payments/Retired Staff | 1,712,434 | | 1,712,434 | 1,708,734 | 3,700 |
| Worker's Compensation | 588,836 | | 588,836 | 582,634 | 6,202 |
| Health Benefits | 11,470,384 | (549,145) | 10,921,239 | 10,366,045 | 555,194 |
| Tuition Reimbursement | 51,000 | (24,863) | 26,137 | 26,137 | - |
| Total Unallocated Benefits | <u>16,100,921</u> | <u>(375,811)</u> | <u>15,725,110</u> | <u>15,147,855</u> | <u>577,255</u> |
| On Behalf TPAF (Non Budgeted) | | | | | |
| NCGI Premium | | - | | 151,419 | (151,419) |
| Pension Contribution | | - | | 3,039,709 | (3,039,709) |
| Post Retirement Medical Contributions | | - | | 3,799,751 | (3,799,751) |
| Social Security Contribution | - | - | - | 2,797,821 | (2,797,821) |
| Total TPAF Contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,788,700</u> | <u>(9,788,700)</u> |
| Total Undistributed Expenditures | <u>42,377,986</u> | <u>173,243</u> | <u>42,551,229</u> | <u>51,328,178</u> | <u>(8,776,949)</u> |
| Transfer of Funds to Charter Schools | 77,564 | - | 77,564 | 72,193 | 5,371 |
| Total Current Expenditures | <u>80,304,252</u> | <u>300,046</u> | <u>80,604,298</u> | <u>88,954,993</u> | <u>(8,350,695)</u> |
| CAPITAL OUTLAY | | | | | |
| Interest Deposit to Capital Reserve | 1,000 | - | 1,000 | - | 1,000 |
| Equipment | | | | | |
| Undistributed Expenditures | | | | | |
| Undistributed Expenditures - Instruction | | 4,952 | 4,952 | 4,923 | 29 |
| Instruction - Grades 6-8 | 5,720 | | 5,720 | | 5,720 |
| Instruction - Grades 9-12 | 10,000 | | 10,000 | | 10,000 |
| School Sponsored Athletics | - | 13,337 | 13,337 | 13,337 | - |
| Total Equipment | <u>15,720</u> | <u>18,289</u> | <u>34,009</u> | <u>18,260</u> | <u>15,749</u> |
| Facilities Acquisition and Construction Services | | | | | |
| Construction Services | | 182,247 | 182,247 | | 182,247 |
| Assessment for Debt Service on SDA Funding | 194,876 | - | 194,876 | 194,876 | - |
| Total Facilities Acquis. and Const. Services | <u>194,876</u> | <u>182,247</u> | <u>377,123</u> | <u>194,876</u> | <u>182,247</u> |
| Total Capital Outlay | <u>211,596</u> | <u>200,536</u> | <u>412,132</u> | <u>213,136</u> | <u>198,996</u> |

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final To Actual</u> |
|---|----------------------------|-------------------------------|-------------------------|----------------------|---|
| EXPENDITURES | | | | | |
| SPECIAL SCHOOLS | | | | | |
| Adult Education - Local - Instruction | | | | | |
| Salaries of Teachers | \$ 26,310 | \$ (1,197) | \$ 25,113 | \$ 23,828 | \$ 1,285 |
| Purchased Professional and Technical Services | 14,714 | (2,000) | 12,714 | 12,152 | 562 |
| General Supplies | 19,587 | 3,197 | 22,784 | 22,784 | - |
| Total Adult Education - Local - Instruction | <u>60,611</u> | <u>-</u> | <u>60,611</u> | <u>58,764</u> | <u>1,847</u> |
| Total Special Schools | <u>60,611</u> | <u>-</u> | <u>60,611</u> | <u>58,764</u> | <u>1,847</u> |
| Total Expenditures | <u>80,576,459</u> | <u>500,582</u> | <u>81,077,041</u> | <u>89,226,893</u> | <u>(8,149,852)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,166,355)</u> | <u>(500,582)</u> | <u>(1,666,937)</u> | <u>891,989</u> | <u>2,558,926</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers Out-Food Service | (393,269) | (118,563) | (511,832) | (509,426) | 2,406 |
| Operating Transfers In - Capital Projects Fund | - | - | - | 67 | 67 |
| Total Other Financing Sources (Uses) | <u>(393,269)</u> | <u>(118,563)</u> | <u>(511,832)</u> | <u>(509,359)</u> | <u>2,473</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses) | <u>(1,559,624)</u> | <u>(619,145)</u> | <u>(2,178,769)</u> | <u>382,630</u> | <u>2,561,399</u> |
| Fund Balances, Beginning of Year | <u>12,506,135</u> | <u>-</u> | <u>12,506,135</u> | <u>12,506,135</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 10,946,511</u> | <u>\$ (619,145)</u> | <u>\$ 10,327,366</u> | <u>\$ 12,888,765</u> | <u>\$ 2,561,399</u> |
| Recapitulation of Fund Balance | | | | | |
| Restricted | | | | | |
| Capital Reserve | | | | \$ 8,662,011 | |
| Adult Education Program | | | | 58,559 | |
| Excess Surplus | | | | 482,308 | |
| Committed | | | | | |
| Encumbrances | | | | 309,878 | |
| Assigned | | | | | |
| Designated for Subsequent Year's Budget | | | | 1,581,164 | |
| Designated for SEMI/ARRA | | | | 62,762 | |
| Encumbrances | | | | 23,858 | |
| Unassigned | | | | <u>1,708,225</u> | |
| Fund Balance Per Governmental Funds (Budgetary) | | | | 12,888,765 | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Less: State Aid Not Recognized on GAAP Basis (June 30, 2016) | | | | <u>3,355,451</u> | |
| Fund Balance Per Governmental Funds (GAAP) | | | | <u>\$ 9,533,314</u> | |

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-2

| | <u>Original Budget</u> | <u>Budget Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-------------------------------|-------------------------|------------------|-------------------------------------|
| REVENUES | | | | | |
| State Sources | \$ 1,208,660 | \$ 97,405 | \$ 1,306,065 | \$ 1,179,759 | \$ (126,306) |
| Local Sources | | 30,560 | 30,560 | 25,183 | (5,377) |
| Federal Sources | <u>2,565,426</u> | <u>767,937</u> | <u>3,333,363</u> | <u>3,209,276</u> | <u>(124,087)</u> |
| Total Revenues | <u>3,774,086</u> | <u>895,902</u> | <u>4,669,988</u> | <u>4,414,218</u> | <u>(255,770)</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries of Teachers | 3,018,505 | (1,560,651) | 1,457,854 | 1,455,568 | 2,286 |
| Other Salaries for Instruction | 94,322 | 188,889 | 283,211 | 280,371 | 2,840 |
| Purchased Prof. and Tech. Svcs. | 66,919 | 56,685 | 123,604 | 34,493 | 89,111 |
| Tuition | - | 1,252,322 | 1,252,322 | 1,252,322 | - |
| General Supplies | 61,257 | 199,631 | 260,888 | 223,370 | 37,518 |
| Textbooks | 4,811 | (414) | 4,397 | 4,397 | - |
| Other Objects | <u>-</u> | <u>6,145</u> | <u>6,145</u> | <u>3,215</u> | <u>2,930</u> |
| Total Instruction | <u>3,245,814</u> | <u>142,607</u> | <u>3,388,421</u> | <u>3,253,736</u> | <u>134,685</u> |
| Support Services | | | | | |
| Salaries of Program Directors | 235,949 | (185,986) | 49,963 | 49,963 | - |
| Salaries of Other Professional Staff | | 7,242 | 7,242 | 7,242 | - |
| Salaries of Secretarial and Clerical Asst. | | 30,037 | 30,037 | 30,037 | - |
| Other Salaries | 7,659 | 24,010 | 31,669 | 31,669 | - |
| Salaries of Parent Involvement | | 31,400 | 31,400 | 14,960 | 16,440 |
| Salaries of Master Teacher | 110,229 | 34,524 | 144,753 | 144,363 | 390 |
| Personal Services - Employee Benefits | 166,851 | 450,339 | 617,190 | 578,809 | 38,381 |
| Purchased Prof./Educ. Svcs. | | 224,929 | 224,929 | 212,039 | 12,890 |
| Purchased Educ. Svcs.- Contracted PreK | 2,500 | 9,847 | 12,347 | | 12,347 |
| Travel | 500 | 1,591 | 2,091 | 91 | 2,000 |
| Other Purchased Services | | 31,963 | 31,963 | 29,458 | 2,505 |
| Supplies and Materials | 2,000 | 50,303 | 52,303 | 16,673 | 35,630 |
| Other Objects | <u>-</u> | <u>4,200</u> | <u>4,200</u> | <u>3,700</u> | <u>500</u> |
| Total Support Services | <u>525,688</u> | <u>714,399</u> | <u>1,240,087</u> | <u>1,119,004</u> | <u>121,083</u> |
| Facilities Acquisition and Const. Serv. | | | | | |
| Instructional Equipment | 2,584 | 9,803 | 12,387 | 12,385 | 2 |
| Non Instructional Equipment | <u>-</u> | <u>29,093</u> | <u>29,093</u> | <u>29,093</u> | <u>-</u> |
| Total Facilities Acq. and Const. Serv. | <u>2,584</u> | <u>38,896</u> | <u>41,480</u> | <u>41,478</u> | <u>2</u> |
| Total Expenditures | <u>3,774,086</u> | <u>895,902</u> | <u>4,669,988</u> | <u>4,414,218</u> | <u>255,770</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | | |
| | - | - | - | - | - |
| Fund Balances, Beginning of Year | | | | | |
| | - | - | - | - | - |
| Fund Balances, End of Year | | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

| | General Fund | Special Revenue Fund |
|--|----------------------------|-------------------------------------|
| Sources/Inflows of Resources | | |
| Revenues (budgetary basis) | (C-1) \$ 90,118,882 | (C-2) \$ 4,414,218 |
| Difference - Budget to GAAP | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | |
| State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2015) | 3,340,199 | |
| State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2016) | <u>(3,355,451)</u> | <u>-</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | (B-2) \$ <u>90,103,630</u> | (B-2) \$ <u>4,414,218</u> |
| Uses/Outflows of Resources | | |
| Actual Expenditures (budgetary basis) | (C-1) \$ 89,226,893 | (C-2) \$ 4,414,218 |
| Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | (B-2) \$ <u>89,226,893</u> | (B-2) \$ <u>4,414,218</u> |

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Three Fiscal Years ***

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|
| District's Proportion of the Net Position Liability (Asset) | 0.10849% | 0.10900% | 0.09978% |
| District's Proportionate Share of the Net Pension Liability (Asset) | <u>\$ 24,354,535</u> | <u>\$ 20,406,935</u> | <u>\$ 19,070,856</u> |
| District's Covered-Employee Payroll | <u>\$ 7,287,542</u> | <u>\$ 7,411,246</u> | <u>\$ 7,268,063</u> |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 334.19% | 275.35% | 262.39% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 47.93% | 52.08% | 48.72% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Three Fiscal Years**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Contractually Required Contribution | \$ 932,750 | \$ 898,543 | \$ 751,858 |
| Contributions in Relation to the Contractually Required Contributions | <u>932,750</u> | <u>898,543</u> | <u>751,858</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered- Employee Payroll | <u>\$ 7,287,542</u> | <u>\$ 7,411,246</u> | <u>\$ 7,268,063</u> |
| Contributions as a Percentage of Covered-Employee Payroll | 12.80% | 12.12% | 10.34% |

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**TEACHERS' PENSION AND ANNUITY FUND
Last Three Fiscal Years ***

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|
| District's Proportion of the Net Position Liability (Asset) | 0.00% | 0.00% | 0.00% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ - | \$ - | \$ - |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated With the District | <u>245,563,648</u> | <u>202,685,459</u> | <u>196,772,632</u> |
| Total | <u>\$ 245,563,648</u> | <u>\$ 202,685,459</u> | <u>\$ 196,772,632</u> |
| District's Covered-Employee Payroll | <u>\$ 39,284,711</u> | <u>\$ 39,625,977</u> | <u>\$ 38,007,372</u> |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 0 | 0 | 0 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 28.71% | 33.64% | 33.76% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

SPECIAL REVENUE FUND

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | No Child Left Behind (NCLB) | | | | | IDEA | | Sub-Total Page 2 | Grand Total |
|---|-----------------------------|----------------|---------------|------------------------|--------------------|------------------|---------------|---------------------|------------------|
| | Title I | Title II-A | Title III | Title III Immigrant | Carl D. Perkins | Basic | Preschool | | |
| REVENUES | | | | | | | | | |
| Intergovernmental | | | | | | | | \$ 1,179,759 | \$ 1,179,759 |
| State | | | | | | | | 25,183 | 25,183 |
| Local | | | | | | | | - | - |
| Federal | \$ 1,576,637 | \$ 142,063 | \$ 31,654 | \$ 13,842 | \$ 51,758 | \$ 1,366,196 | \$ 27,126 | - | 3,209,276 |
| Total Revenues | <u>1,576,637</u> | <u>142,063</u> | <u>31,654</u> | <u>13,842</u> | <u>51,758</u> | <u>1,366,196</u> | <u>27,126</u> | <u>1,204,942</u> | <u>4,414,218</u> |
| EXPENDITURES | | | | | | | | | |
| Instruction | | | | | | | | | |
| Salaries of Teachers | 933,537 | 78,565 | | | | | | 443,466 | 1,455,568 |
| Other Salaries for Instruction | 122,823 | | 2,160 | | | | | 155,388 | 280,371 |
| Purchased Prof. and Technical Services | | | 6,927 | 3,018 | 2,992 | | | 21,556 | 34,493 |
| Tuition | | | | | | 1,225,196 | 27,126 | | 1,252,322 |
| General Supplies | 132,286 | | 14,328 | 471 | 36,381 | 19,565 | | 20,339 | 223,370 |
| Textbooks | | | | | | | | 4,397 | 4,397 |
| Other Objects | 2,145 | - | - | - | - | 1,070 | - | - | 3,215 |
| Total Instruction | <u>1,190,791</u> | <u>78,565</u> | <u>23,415</u> | <u>3,489</u> | <u>39,373</u> | <u>1,245,831</u> | <u>27,126</u> | <u>645,146</u> | <u>3,253,736</u> |
| Support Services | | | | | | | | | |
| Salaries of Supervisors/Program Directors | | | | | | | | 49,963 | 49,963 |
| Salaries of Other Prof. Staff | | | | | | | 7,242 | | 7,242 |
| Salaries of Secretarial & Clerical Asst. | | | | | | | | 30,037 | 30,037 |
| Other Salaries | | | | | | | | 31,669 | 31,669 |
| Salaries of Parent Involvement | 2,961 | | 6,014 | 5,985 | | | | | 14,960 |
| Salaries of Master Teacher | | 34,524 | | | | | | 109,839 | 144,363 |
| Personal Svcs-Employee Benefits | 369,196 | 28,205 | 1,009 | 458 | | 4,978 | | 174,963 | 578,809 |
| Purchased Prof. and Technical Services | 9,600 | 769 | | 3,910 | | 86,754 | | 111,006 | 212,039 |
| Travel | | | | | | | | 91 | 91 |
| Other Purchased Services | 325 | | 1,216 | | | 3,460 | | 24,457 | 29,458 |
| Supplies and Materials | 3,764 | | | | | | | 12,071 | 16,673 |
| Other Objects | - | - | - | - | - | - | - | 3,700 | 3,700 |
| Total Support Services | <u>385,846</u> | <u>63,498</u> | <u>8,239</u> | <u>10,353</u> | <u>-</u> | <u>103,272</u> | <u>-</u> | <u>547,796</u> | <u>1,119,004</u> |
| Facilities Acq. and Construction | | | | | | | | | |
| Instructional Equip. | | | | | 12,385 | | | - | 12,385 |
| Non Instructional Equip. | | | | | | 17,093 | | 12,000 | 29,093 |
| Total Facilities Acq. & Constr. | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,385</u> | <u>17,093</u> | <u>-</u> | <u>12,000</u> | <u>41,478</u> |
| Total Expenditures | <u>1,576,637</u> | <u>142,063</u> | <u>31,654</u> | <u>13,842</u> | <u>51,758</u> | <u>1,366,196</u> | <u>27,126</u> | <u>1,204,942</u> | <u>4,414,218</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - | - | - | - | - | - |
| Fund Balance, Beginning of Year | - | - | - | - | - | - | - | - | - |
| Fund Balance, End of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Private Donations | SYBSPG | Nonpublic Nursing Services | Nonpublic Textbooks | Nonpublic Technology | Nonpublic Security | Chapter 192/193 Services | | | | Preschool Education Aid | Sub-Total to Page 1 |
|---|-------------------|----------------|----------------------------|---------------------|----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------|-------------------------|---------------------|
| | | | | | | | Compensatory Education | Supplemental Instruction | Exam & Classification | Corrective Speech | | |
| REVENUES | | | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | | | |
| State | | \$ 280,637 | \$ 8,100 | \$ 4,397 | \$ 2,002 | \$ 2,250 | \$ 592 | \$ 5,198 | \$ 9,663 | \$ 6,103 | \$ 860,817 | \$ 1,179,759 |
| Local | \$ 25,183 | - | - | - | - | - | - | - | - | - | - | 25,183 |
| Federal | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenues | 25,183 | 280,637 | 8,100 | 4,397 | 2,002 | 2,250 | 592 | 5,198 | 9,663 | 6,103 | 860,817 | 1,204,942 |
| EXPENDITURES | | | | | | | | | | | | |
| Instruction | | | | | | | | | | | | |
| Salaries of Teachers | | | | | | | | | | | 443,466 | 443,466 |
| Other Salaries for Instruction | | | | | | | | | | | 155,388 | 155,388 |
| Purchased Prof. and Technical Services | | | | | | | 592 | 5,198 | 9,663 | 6,103 | - | 21,556 |
| General Supplies | 11,469 | | | | 2,002 | | | | | | 6,868 | 20,339 |
| Textbooks | | | | 4,397 | | | | | | | | 4,397 |
| Other Objects | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Instruction | 11,469 | - | - | 4,397 | 2,002 | - | 592 | 5,198 | 9,663 | 6,103 | 605,722 | 645,146 |
| Support Services | | | | | | | | | | | | |
| Salaries of Supervisors/Program Directors | | 49,963 | | | | | | | | | | 49,963 |
| Salaries of Other Prof. Staff | | 30,037 | | | | | | | | | | 30,037 |
| Salaries of Secretarial & Clerical Asst. | | 28,600 | 3,069 | | | | | | | | | 31,669 |
| Other Salaries | | | | | | | | | | | 109,839 | 109,839 |
| Salaries of Master Teacher | | | 412 | | | | | | | | 144,546 | 174,963 |
| Personal Svcs-Employee Benefits | | 30,005 | | | | | | | | | | 111,006 |
| Purchased Prof./Educ. Svcs. | 1,575 | 109,431 | | | | | | | | | | 91 |
| Travel | | 91 | | | | | | | | | | 24,457 |
| Other Purchased Services | | 24,457 | | | | | | | | | | 12,071 |
| Supplies and Materials | 139 | 4,353 | 4,619 | | | 2,250 | | | | | 710 | 3,700 |
| Other Objects | - | 3,700 | - | - | - | - | - | - | - | - | - | - |
| Total Support Services | 1,714 | 280,637 | 8,100 | - | - | 2,250 | - | - | - | - | 255,095 | 547,796 |
| Facilities Acq. and Construction | | | | | | | | | | | | |
| Instructional Equip. | | | | | | | | | | | | - |
| Non Instructional Equip | 12,000 | - | - | - | - | - | - | - | - | - | - | 12,000 |
| Total Facilities Acq. & Constr. | 12,000 | - | - | - | - | - | - | - | - | - | - | 12,000 |
| Total Expenditures | 25,183 | 280,637 | 8,100 | 4,397 | 2,002 | 2,250 | 592 | 5,198 | 9,663 | 6,103 | 860,817 | 1,204,942 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balance, Beginning of Year | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balance, End of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| EXPENDITURES | Original Budget | Budget Adjustments | Final Budget | Actual | Variance |
|--|----------------------------|-------------------------------|-------------------------|-------------------|------------------|
| Instruction | | | | | |
| Salaries of Teachers | \$ 504,336 | \$ (60,870) | \$ 443,466 | \$ 443,466 | |
| Other Salaries for Instruction | 94,322 | 61,066 | 155,388 | 155,388 | |
| General Supplies | 10,000 | 10,566 | 20,566 | 6,868 | \$ 13,698 |
| Total Instruction | 608,658 | 10,762 | 619,420 | 605,722 | 13,698 |
| Support Services | | | | | |
| Salaries of Master Teachers | 110,229 | - | 110,229 | 109,839 | 390 |
| Personal Services - Employee Benefits | 166,851 | 13,200 | 180,051 | 144,546 | 35,505 |
| Purchased Ed Services - Contracted Pre K | 2,500 | 9,847 | 12,347 | | 12,347 |
| Travel | 500 | 1,500 | 2,000 | | 2,000 |
| Supplies and Materials | 2,000 | 1,623 | 3,623 | 710 | 2,913 |
| Other Objects | - | 500 | 500 | - | 500 |
| Total Support Services | 282,080 | 26,670 | 308,750 | 255,095 | 53,655 |
| Total Expenditures | \$ 890,738 | \$ 37,432 | \$ 928,170 | \$ 860,817 | \$ 67,353 |

Calculation of Budget Carryover

| | |
|---|---------------------|
| Total Revised 2015-2016 Preschool Education Aid Allocation | \$ 388,278 |
| Add: | |
| Actual Preschool Education Carryover (June 30, 2015) | 114,419 |
| Actual Early Childhood Program Aid Carryover | <u>1,669,838</u> |
| Total Preschool Education Aid Funds Available for 2015-2016 Budget | 2,172,535 |
| Less: 2015-2016 Budgeted Preschool Education Aid (Including prior year budgeted carryover) | <u>928,170</u> |
| Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2016 | 1,244,365 |
| Add: June 30, 2016 Unexpended Preschool Education Aid | <u>67,353</u> |
| 2015-2016 Carryover - Preschool Education Aid /Preschool Programs | <u>\$ 1,311,718</u> |
| 2015-2016 Preschool Education Aid Carryover Budgeted in 2016-2017 | <u>\$ 443,977</u> |

CAPITAL PROJECTS FUND

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Original Amount Authorized</u> | <u>Adjustments</u> | <u>Modified Authorization</u> | <u>Expenditures to Date</u> | | <u>Balance June 30, 2016</u> |
|---|---|---------------------|-----------------------------------|-----------------------------|---------------------|----------------------------------|
| | | | | <u>Prior Years</u> | <u>Current Year</u> | |
| Port Authority of NY and NJ Projects: | | | | | | |
| Aircraft Noise Abatement - Lincoln School | \$ 17,449,305 | \$ 2,618,604 | \$ 20,067,909 | \$ 19,661,358 | | \$ 406,551 |
| Aircraft Noise Abatement - Kearny High School | 44,039,788 | 4,120,000 | 48,159,788 | 23,216,841 | \$ 4,635,783 | 20,307,164 |
| Kearny High School - Facade Project | 6,083,708 | | 6,083,708 | 5,970,247 | - | 113,461 |
| Franklin School Annex and Board of Education Offices | 3,044,211 | 35,806 | 3,080,017 | 3,049,568 | 30,449 | - |
| Alterations to Franklin Elementary School | <u>636,750</u> | <u>(585,056)</u> | <u>51,694</u> | <u>47,860</u> | <u>-</u> | <u>3,834</u> |
| | <u>\$ 71,253,762</u> | <u>\$ 6,189,354</u> | <u>\$ 77,443,116</u> | <u>\$ 51,945,874</u> | <u>\$ 4,666,232</u> | <u>\$ 20,831,010</u> |
| Unexpended Project Authorizations | | | | | | \$ 20,831,010 |
| Add: Reserve for Payment of Debt Service | | | | | | <u>14,417</u> |
| Fund Balance (Budgetary Basis) | | | | | | <u>\$ 20,845,427</u> |
| <u>Analysis of Restricted Fund Balance:</u> | | | | | | |
| | | | | | | \$ 28,127,636 |
| Encumbrances | | | | | | 14,417 |
| Reserve for Debt Service | | | | | | <u>(7,296,626)</u> |
| Reserve for Capital Projects | | | | | | |
| Fund Balance, Budgetary Basis | | | | | | 20,845,427 |
| Unearned Revenue | | | | | | <u>(18,196,628)</u> |
| Fund Balance, GAAP Basis | | | | | | <u>\$ 2,648,799</u> |

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues and Other Financing Sources

| | |
|-------------------------------------|--------------|
| Proceeds from Lease Purchase | \$ 4,120,000 |
| Interest on Investments | 67 |
| Interest on Lease Purchase Proceeds | <u>2,202</u> |

| | |
|----------------|------------------|
| Total Revenues | <u>4,122,269</u> |
|----------------|------------------|

Expenditures and Other Financing Uses

| | |
|--|-----------|
| Facilities Acquisition and Construction Services | 4,161,805 |
| Purchased Professional and Technical Services | 474,258 |
| Other Objects | 30,169 |
| Transfer to General Fund | <u>67</u> |

| | |
|---|------------------|
| Total Expenditures and Other Financing Uses | <u>4,666,299</u> |
|---|------------------|

| | |
|--|-----------|
| Excess (Deficiency) of Revenue Over (Under) Expenditures Other Financing Sources (Uses) | (544,030) |
|--|-----------|

| | |
|----------------------------|-------------------|
| Fund Balance, July 1, 2015 | <u>21,389,457</u> |
|----------------------------|-------------------|

| | |
|-----------------------------|-----------------------------|
| Fund Balance, June 30, 2016 | <u><u>\$ 20,845,427</u></u> |
|-----------------------------|-----------------------------|

Reconciliation to Governmental Funds Statements (GAAP Basis):

| | |
|--------------------------------|---------------|
| Fund Balance (Budgetary Basis) | \$ 20,845,427 |
|--------------------------------|---------------|

Less:

| | |
|------------------|-------------------|
| Unearned Revenue | <u>18,196,628</u> |
|------------------|-------------------|

| | |
|--|----------------------------|
| Fund Balance Per Governmental Funds (GAAP Basis) | <u><u>\$ 2,648,799</u></u> |
|--|----------------------------|

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LINCOLN SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|---------------------|-------------------|--|
| Revenues and Other Financing Sources | | | | |
| Federal Sources - FAA Grant | \$ 10,557,105 | | \$ 10,557,105 | \$ 10,557,105 |
| Local Sources - Port Authority of NY/NJ | 2,569,548 | | 2,569,548 | 2,569,548 |
| State Sources- SCC Grant | 6,139,334 | | 6,139,334 | 6,139,334 |
| Transfer from General Fund | 801,922 | - | 801,922 | 801,922 |
| | <u>20,067,909</u> | <u>-</u> | <u>20,067,909</u> | <u>20,067,909</u> |
| Expenditures and Other Financing Uses | | | | |
| Facilities Acquisition and Construction Services | 18,540,664 | | 18,540,664 | 18,692,909 |
| Purchased Professional and Technical Services | 1,120,694 | - | 1,120,694 | 1,375,000 |
| | <u>19,661,358</u> | <u>-</u> | <u>19,661,358</u> | <u>20,067,909</u> |
| Excess of Revenues Over Expenditures | <u>\$ 406,551</u> | <u>\$ -</u> | <u>\$ 406,551</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|--------------------|
| Project Number | |
| FAA/Port Authority | EWR 99-04 & 113-07 |
| SDA | 2410-090-05-3000 |
| Grant Date | August 9, 2005 |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 17,449,305 |
| Additional Authorized Cost | \$ 2,618,604 |
| Revised Authorized Cost | \$ 20,067,909 |
| | |
| Percentage Increase Over Original Authorized Cost | 15.01% |
| Percentage Completion | 100.00% |
| Original Target Completion Date | August 31, 2010 |
| Revised Target Completion Date | September 30, 2011 |

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|---------------------|----------------------|--|
| Revenues and Other Financing Sources | | | | |
| Federal Sources - FAA Grant | \$ 21,145,025 | | \$ 21,145,025 | \$ 21,145,025 |
| Local Sources - Port Authority of NY/NJ | 5,286,256 | | 5,286,256 | 5,286,256 |
| State Sources- SCC Grant | 17,608,507 | | 17,608,507 | 17,608,507 |
| Lease Purchase Proceeds | - | \$ 4,120,000 | 4,120,000 | 4,120,000 |
| | <u>44,039,788</u> | <u>4,120,000</u> | <u>48,159,788</u> | <u>48,159,788</u> |
| Expenditures and Other Financing Uses | | | | |
| Facilities Acquisition and Construction Services | 15,743,015 | 4,161,805 | 19,904,820 | 40,659,788 |
| Purchased Professional and Technical Services | 7,473,826 | 473,978 | 7,947,804 | 7,500,000 |
| | <u>23,216,841</u> | <u>4,635,783</u> | <u>27,852,624</u> | <u>48,159,788</u> |
| Excess of Revenues Over Expenditures | <u>\$ 20,822,947</u> | <u>\$ (515,783)</u> | <u>\$ 20,307,164</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|-------------------|
| Project Number | N/A |
| FAA/Port Authority | EWR 84-02 & 99-04 |
| SDA | 2410-050-04-3000 |
| Grant Date | May 4, 2005 |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 44,039,788 |
| Additional Authorized Cost | \$ 4,120,000 |
| Revised Authorized Cost | \$ 48,159,788 |
| Percentage Increase Over Original Authorized Cost | 9.36% |
| Percentage Completion | 57.83% |
| Original Target Completion Date | October 31, 2013 |
| Revised Target Completion Date | September 1, 2017 |

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - FAÇADE PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 2410-050-05-1400 |
| Grant Date | October 22, 2004 |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 6,083,708 |
| Additional Authorized Cost | \$ - |
| Revised Authorized Cost | \$ 6,083,708 |

| | |
|--|----------------|
| Percentage Increase Over Original Authorized Cost | 0.00% |
| Percentage Completion | 98.14% |
| Original Target Completion Date | April 30, 2012 |
| Revised Target Completion Date | June 30, 2014 |

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN ANNEX AND BOARD OF EDUCATION OFFICES
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|----------------------|------------------------|----------------------|--|
| Revenues and Other Financing Sources | | | | |
| State Sources- SDA Grant | \$ 873,582 | | \$ 873,582 | \$ 873,582 |
| Transfer from Capital Outlay | <u>2,189,342</u> | <u>\$ 17,093</u> | <u>2,206,435</u> | <u>2,189,342</u> |
| Total Revenues | <u>3,062,924</u> | <u>17,093</u> | <u>3,080,017</u> | <u>3,062,924</u> |
| Expenditures and Other Financing Uses | | | | |
| Land Acquisition | 975,000 | | 975,000 | 975,000 |
| Facilities Acquisition and Construction Services | 1,764,292 | | 1,764,292 | 1,608,913 |
| Purchased Professional and Technical Services | 298,388 | 280 | 298,668 | 300,000 |
| Other Objects | <u>11,888</u> | <u>30,169</u> | <u>42,057</u> | <u>179,011</u> |
| Total Expenditures | <u>3,049,568</u> | <u>30,449</u> | <u>3,080,017</u> | <u>3,062,924</u> |
| Excess of Revenues Over Expenditures | <u>\$ 13,356</u> | <u>\$ (13,356)</u> | <u>\$ -</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 2410-X02-09-1002 |
| Grant Date | July 29, 2009 |
| Bond Authorization Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 3,044,211 |
| Additional Authorized Cost | \$ 18,713 |
| Revised Authorized Cost | \$ 3,062,924 |

| | |
|--|-------------------|
| Percentage Increase Over Original Authorized Cost | 0.61% |
| Percentage Completion | 100.56% |
| Original Target Completion Date | June 30, 2011 |
| Revised Target Completion Date | December 31, 2015 |

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|------------------------|---------------------|--|
| Revenues and Other Financing Sources | | | | |
| State Sources- SDA Grant | \$ 47,250 | | \$ 47,250 | \$ 47,250 |
| Transfer from Capital Outlay | <u>21,537</u> | \$ (17,093) | <u>4,444</u> | <u>21,537</u> |
| Total Revenues | <u>68,787</u> | <u>(17,093)</u> | <u>51,694</u> | <u>68,787</u> |
| Expenditures and Other Financing Uses | | | | |
| Purchased Professional and Technical Services | 26,360 | | 26,360 | 41,287 |
| Supplies and Materials | <u>21,500</u> | <u>-</u> | <u>21,500</u> | <u>27,500</u> |
| Total Expenditures | <u>47,860</u> | <u>-</u> | <u>47,860</u> | <u>68,787</u> |
| Excess of Revenues Over Expenditures | <u>\$ 20,927</u> | <u>\$ (17,093)</u> | <u>\$ 3,834</u> | <u>\$ -</u> |

Additional Project Information:

| | | | | |
|--|--------------------|---------|--|--|
| Project Number | 2410-079-09-2001 | | | |
| Grant Date | July 31, 2009 | | | |
| Bond Authorization Date | N/A | | | |
| Bonds Authorized | N/A | | | |
| Bonds Issued | N/A | | | |
| Original Authorized Cost | \$ 636,750 | | | |
| Additional Authorized Cost | \$ (567,963) | | | |
| Revised Authorized Cost | \$ 68,787 | | | |
| Percentage Decrease Over Original Authorized Cost | -89.20% | (A) | | |
| Percentage Completion | 69.58% | | | |
| Original Target Completion Date | September 30, 2011 | | | |
| Revised Target Completion Date | August 31, 2014 | | | |

(A) Scope of project was reduced

ENTERPRISE FUND

**KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

| | <u>Student Activity</u> | <u>Agency Payroll</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|---------------------------|-------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 305,587 | \$ 580,823 | \$ 886,410 |
| Total Assets | <u>\$ 305,587</u> | <u>\$ 580,823</u> | <u>\$ 886,410</u> |
| LIABILITIES | | | |
| Payroll Deductions and Withholdings | | \$ 579,702 | \$ 579,702 |
| Due to Other Funds | | 1,121 | 1,121 |
| Due to Student Groups | <u>\$ 305,587</u> | <u>-</u> | <u>305,587</u> |
| Total Liabilities | <u>\$ 305,587</u> | <u>\$ 580,823</u> | <u>\$ 886,410</u> |

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <u>School</u> | <u>Balance July 1, 2015</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2016</u> |
|---------------------------|---------------------------------|--------------------------|-------------------------------|-----------------------------------|
| ELEMENTARY SCHOOLS | | | | |
| Schuyler School | \$ 9,366 | \$ 11,811 | \$ 8,217 | \$ 12,960 |
| Franklin School | 6,441 | 54,431 | 57,436 | 3,436 |
| Garfield School | 8,571 | 22,075 | 23,138 | 7,508 |
| Lincoln School | 10,705 | 5,253 | 9,355 | 6,603 |
| Lincoln Student Council | 3,098 | 3,126 | 3,549 | 2,675 |
| Roosevelt School | 14,820 | 33,217 | 41,816 | 6,221 |
| Washington School | 2,228 | 8,021 | 8,755 | 1,494 |
| HIGH SCHOOL | 228,257 | 365,848 | 329,415 | 264,690 |
| ATHLETIC ACCOUNT | - | 67,910 | 67,910 | - |
| Total | <u>\$ 283,486</u> | <u>\$ 571,692</u> | <u>\$ 549,591</u> | <u>\$ 305,587</u> |

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Balance, July 1, 2015</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2016</u> |
|-------------------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 117,915 | \$ 63,662,460 | \$ 63,199,552 | \$ 580,823 |
| Total Assets | <u>\$ 117,915</u> | <u>\$ 63,662,460</u> | <u>\$ 63,199,552</u> | <u>\$ 580,823</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 1,121 | | | \$ 1,121 |
| Payroll Deductions and Withholdings | 116,794 | \$ 30,527,462 | \$ 30,064,554 | 579,702 |
| Accrued Salaries and Wages | - | 33,134,998 | 33,134,998 | - |
| Total Liabilities | <u>\$ 117,915</u> | <u>\$ 63,662,460</u> | <u>\$ 63,199,552</u> | <u>\$ 580,823</u> |

LONG-TERM DEBT

**KEARNY BOARD OF EDUCATION
LONG-TERM DEBT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <u>Issue</u> | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Annual Maturities</u> | | <u>Interest Rate</u> | <u>Balance, July 1, 2015</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance, June 30, 2016</u> |
|-----------------|----------------------|------------------------|--------------------------|---------------|----------------------|------------------------------|---------------|---------------------|-------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | | |
| School Bonds | 2/15/05 | \$ 3,650,000 | | | | \$ 190,000 | | \$ 190,000 | |
| School Bonds | 7/15/07 | 12,725,000 | 7/15/2016 | \$ 950,000 | 4.25% | | | | |
| | | | 7/15/2017 | 950,000 | 4.25% | 2,850,000 | | 950,000 | \$ 1,900,000 |
| Refunding Bonds | 4/23/15 | 6,740,000 | 7/15/2016 | 180,000 | 3.00% | | | | |
| | | | 7/15/2017 | 180,000 | 3.00% | | | | |
| | | | 7/15/2018 | 1,135,000 | 4.00% | | | | |
| | | | 7/15/2019 | 1,135,000 | 4.00% | | | | |
| | | | 7/15/2020 | 1,140,000 | 4.00% | | | | |
| | | | 7/15/2021 | 1,140,000 | 4.00% | | | | |
| | | | 7/15/2022 | 1,140,000 | 4.00% | | | | |
| | | | 7/15/2023 | 205,000 | 4.00% | | | | |
| | | | 7/15/2024 | 210,000 | 4.00% | | | | |
| | | | 7/15/2025 | 215,000 | 4.00% | 6,740,000 | - | 60,000 | 6,680,000 |
| | | | | | | <u>\$ 9,780,000</u> | <u>\$ -</u> | <u>\$ 1,200,000</u> | <u>\$ 8,580,000</u> |

**KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <u>Year</u> | <u>Description</u> | <u>Interest Rate</u> | <u>Amount of Original Issue</u> | <u>Balance, July 1, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, June 30, 2016</u> |
|-------------|--------------------------|----------------------|---------------------------------|------------------------------|---------------------|--------------------|-------------------------------|
| 2014 | Acquisition of Computers | 10.00% | \$ 394,437 | \$ 329,829 | | \$ 71,068 | \$ 258,761 |
| 2015 | Acquisition of Equipment | | 4,120,000 | - | \$ 4,120,000 | - | 4,120,000 |
| | | | | <u>\$ 329,829</u> | <u>\$ 4,120,000</u> | <u>\$ 71,068</u> | <u>\$ 4,378,761</u> |

**KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Final to Actual |
|---|----------------------------|-------------------------------|-------------------------|------------------|---|
| REVENUES: | | | | | |
| Property Tax Levy | \$ 1,070,232 | | \$ 1,070,232 | \$ 1,070,232 | |
| State Aid | 425,956 | - | 425,956 | 425,956 | - |
| Total Revenues | <u>1,496,188</u> | <u>-</u> | <u>1,496,188</u> | <u>1,496,188</u> | <u>-</u> |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| Principal | 1,200,000 | | 1,200,000 | 1,200,000 | |
| Interest | 296,188 | - | 296,188 | 296,188 | - |
| Total Expenditures | <u>1,496,188</u> | <u>-</u> | <u>1,496,188</u> | <u>1,496,188</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

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

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Governmental Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 23,432,663 | \$ 25,875,674 | \$ 37,617,030 | \$ 41,531,599 | \$ 41,472,141 | \$ 45,417,929 | \$ 51,589,542 | \$ 55,485,780 | \$ 55,491,651 | \$ 57,535,963 |
| Restricted | 77,458 | 1,829,106 | 3,806,116 | 1,809,371 | 4,672,748 | 5,732,390 | 5,735,972 | 8,219,684 | 8,845,240 | 11,257,150 |
| Unrestricted | (13,407,427) | (12,834,896) | (11,398,905) | (12,222,825) | (13,157,518) | (12,149,242) | (9,139,337) | (12,134,343) | (31,918,631) | (36,900,137) |
| Total Governmental Activities Net Position | \$ 10,102,694 | \$ 14,869,884 | \$ 30,024,241 | \$ 31,118,145 | \$ 32,987,371 | \$ 39,001,077 | \$ 48,186,177 | \$ 51,571,121 | \$ 32,418,260 | \$ 31,892,976 |
| Business-Type Activities | | | | | | | | | | |
| Invested in Capital Assets | \$ 23,754 | \$ 60,039 | \$ 68,646 | \$ 132,614 | \$ 138,942 | \$ 124,308 | \$ 110,288 | \$ 97,047 | \$ 122,355 | \$ 107,215 |
| Unrestricted | 132,847 | 116,789 | 162,620 | 199,518 | 263,540 | 254,822 | 320,381 | 372,232 | 422,604 | 504,341 |
| Total Business-Type Activities Net Position | \$ 156,601 | \$ 176,828 | \$ 231,266 | \$ 332,132 | \$ 402,482 | \$ 379,130 | \$ 430,669 | \$ 469,279 | \$ 544,959 | \$ 611,556 |
| District-Wide | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 23,456,417 | \$ 25,935,713 | \$ 37,685,676 | \$ 41,664,213 | \$ 41,611,083 | \$ 45,542,237 | \$ 51,699,830 | \$ 55,582,827 | \$ 55,614,006 | \$ 57,643,178 |
| Restricted | 77,458 | 1,829,106 | 3,806,116 | 1,809,371 | 4,672,748 | 5,732,390 | 5,735,972 | 8,219,684 | 8,845,240 | 11,257,150 |
| Unrestricted | (13,274,580) | (12,718,107) | (11,236,285) | (12,023,307) | (12,893,978) | (11,894,420) | (8,818,956) | (11,762,111) | (31,496,027) | (36,395,796) |
| Total District Net Position | \$ 10,259,295 | \$ 15,046,712 | \$ 30,255,507 | \$ 31,450,277 | \$ 33,389,853 | \$ 39,380,207 | \$ 48,616,846 | \$ 52,040,400 | \$ 32,963,219 | \$ 32,504,532 |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 37,955,177 | \$ 41,119,163 | \$ 39,548,344 | \$ 41,381,868 | \$ 41,126,178 | \$ 42,713,090 | \$ 43,266,636 | \$ 45,504,197 | \$ 50,637,282 | \$ 55,352,833 |
| Special Education | 8,434,724 | 8,811,849 | 9,015,324 | 10,695,914 | 11,313,129 | 10,843,661 | 11,478,294 | 11,402,060 | 13,900,553 | 15,560,078 |
| Other Instruction | 4,677,640 | 4,975,092 | 4,345,429 | 4,107,288 | 3,252,330 | 3,294,184 | 2,845,253 | 2,740,285 | 2,920,309 | 3,357,362 |
| School Sponsored Activities and Athletics | 1,449,664 | 1,590,926 | 1,215,318 | 1,300,510 | 1,281,841 | 1,250,104 | 1,261,789 | 1,310,483 | 1,376,895 | 1,509,284 |
| Support Services: | | | | | | | | | | |
| Student & Instruction Related Services | 5,874,828 | 6,388,365 | 6,675,551 | 7,692,297 | 7,113,169 | 7,780,424 | 7,926,025 | 8,050,400 | 8,764,376 | 8,959,592 |
| General Administration | 2,043,622 | 2,185,860 | 2,258,577 | 2,271,974 | 2,423,076 | 2,779,422 | 2,439,406 | 2,946,412 | 2,832,130 | 2,697,713 |
| School Administrative Services | 4,361,767 | 4,525,087 | 4,354,414 | 4,632,528 | 6,238,956 | 6,316,539 | 6,376,930 | 6,819,361 | 7,530,457 | 8,526,918 |
| Plant Operations and Maintenance | 7,474,246 | 7,815,400 | 8,796,229 | 8,804,501 | 8,712,127 | 8,569,081 | 9,007,440 | 8,984,044 | 9,643,413 | 10,038,580 |
| Pupil Transportation | 1,113,094 | 1,286,523 | 1,361,355 | 1,404,217 | 1,315,732 | 1,373,763 | 1,480,516 | 1,500,332 | 1,698,164 | 1,790,536 |
| Business/Central Services | 1,270,112 | 1,086,791 | 1,204,114 | 1,195,456 | 1,208,264 | 1,631,181 | 1,657,053 | 1,672,507 | 2,021,459 | 2,189,236 |
| Interest on Long-Term Debt | 415,682 | 834,689 | 530,336 | 560,215 | 702,608 | 704,128 | 628,207 | 654,189 | 681,281 | 545,646 |
| Total Governmental Activities Expenses | 75,070,556 | 80,619,745 | 79,304,991 | 84,046,768 | 84,687,410 | 87,255,577 | 88,367,549 | 91,584,261 | 102,006,319 | 110,527,778 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | 1,587,850 | 1,683,837 | 1,779,829 | 2,117,868 | 1,788,415 | 2,039,672 | 2,087,488 | 2,073,328 | 2,144,004 | 2,239,874 |
| Total Business-Type Activities Expense | 1,587,850 | 1,683,837 | 1,779,829 | 2,117,868 | 1,788,415 | 2,039,672 | 2,087,488 | 2,073,328 | 2,144,004 | 2,239,874 |
| Total District Expenses | \$ 76,658,406 | \$ 82,303,582 | \$ 81,084,820 | \$ 86,164,636 | \$ 86,475,825 | \$ 89,295,249 | \$ 90,455,037 | \$ 93,657,589 | \$ 104,150,323 | \$ 112,767,652 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Other Instruction/Special Schools | \$ 58,000 | \$ 58,500 | \$ 51,000 | \$ 142,122 | \$ 60,439 | \$ 65,897 | \$ 65,134 | \$ 59,563 | \$ 50,462 | \$ 65,058 |
| Tuition | | | | | | | | | | 10,305 |
| Operating Grants and Contributions | 17,209,657 | 18,696,110 | 13,634,556 | 19,210,879 | 14,474,765 | 15,540,976 | 16,080,166 | 15,152,252 | 25,265,538 | 30,490,718 |
| Capital Grants and Contributions | 111,655 | 3,837,724 | 12,131,626 | 2,558,285 | 1,227,985 | 5,925,681 | 8,239,865 | 5,734,925 | 2,034,553 | 2,695,140 |
| Total Governmental Activities Program Revenues | 17,379,312 | 22,592,334 | 25,817,182 | 21,911,286 | 15,763,189 | 21,532,554 | 24,385,165 | 20,946,740 | 27,350,553 | 33,261,221 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Food Service | 414,388 | 430,157 | 427,416 | 416,267 | 461,515 | 494,235 | 468,029 | 482,377 | 448,935 | 485,056 |
| Operating Grants and Contributions | 689,661 | 738,971 | 808,825 | 1,071,208 | 1,093,172 | 1,215,030 | 1,259,394 | 1,316,125 | 1,262,487 | 1,311,989 |
| Total Business Type Activities Program Revenues | 1,104,049 | 1,169,128 | 1,236,241 | 1,487,475 | 1,554,687 | 1,709,265 | 1,727,423 | 1,798,502 | 1,711,422 | 1,797,045 |
| Total District Program Revenues | \$ 18,483,361 | \$ 23,761,462 | \$ 27,053,423 | \$ 23,398,761 | \$ 17,317,876 | \$ 23,241,819 | \$ 26,112,588 | \$ 22,745,242 | \$ 29,061,975 | \$ 35,058,266 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (57,691,244) | \$ (58,027,411) | \$ (53,487,809) | \$ (62,135,482) | \$ (68,924,221) | \$ (65,723,023) | \$ (63,982,384) | \$ (70,637,521) | \$ (74,655,766) | \$ (77,266,557) |
| Business-Type Activities | (483,801) | (514,709) | (543,588) | (630,393) | (233,728) | (330,407) | (360,065) | (274,826) | (432,582) | (442,829) |
| Total District-Wide Net Expense | \$ (58,175,045) | \$ (58,542,120) | \$ (54,031,397) | \$ (62,765,875) | \$ (69,157,949) | \$ (66,053,430) | \$ (64,342,449) | \$ (70,912,347) | \$ (75,088,348) | \$ (77,709,386) |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes Levied for General Purposes | \$ 41,855,063 | 43,537,336 | 43,537,336 | \$ 43,537,336 | \$ 45,278,829 | \$ 45,278,829 | \$ 45,595,029 | \$ 45,759,751 | \$ 46,217,348 | \$ 47,944,682 |
| Property Taxes, Debt Service | 572,575 | 481,842 | 885,380 | 859,576 | 1,198,201 | 248,902 | 740,251 | 1,129,457 | 1,119,817 | 1,070,232 |
| Federal and State Aid - Unrestricted | 16,118,768 | 17,259,183 | 23,011,234 | 17,788,033 | 23,666,188 | 24,870,776 | 26,004,915 | 26,552,231 | 26,699,788 | 26,701,899 |
| State Aid- Restricted for Debt Service | 144,384 | 102,727 | 385,172 | 398,351 | 482,078 | 469,498 | 456,918 | 444,338 | 439,684 | 425,956 |
| Donation of Capital Assets | | | | | | | 9,000 | - | 21,500 | |
| Loss on Disposition of Assets | | (52,394) | | | | (6,825) | | | | |
| Investment Earnings | 956,334 | 1,236,473 | 251,685 | 18,970 | 86,534 | 70,842 | 26,671 | 22,752 | 25,289 | 26,871 |
| Miscellaneous Income | 367,396 | 761,030 | 1,169,385 | 1,358,379 | 385,695 | 1,111,762 | 746,304 | 427,372 | 558,597 | 1,081,059 |
| Transfers | (462,572) | (531,596) | (598,026) | (731,259) | (304,078) | (307,055) | (411,604) | (313,436) | (508,262) | (509,426) |
| Total Governmental Activities | 59,551,948 | 62,794,601 | 68,642,166 | 63,229,386 | 70,793,447 | 71,736,729 | 73,167,484 | 74,022,465 | 74,573,761 | 76,741,273 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 2,632 | 3,340 | | | | | | | | |
| Transfers | 462,572 | 531,596 | 598,026 | 731,259 | 304,078 | 307,055 | 411,604 | 313,436 | 508,262 | 509,426 |
| Total Business-Type Activities | 465,204 | 534,936 | 598,026 | 731,259 | 304,078 | 307,055 | 411,604 | 313,436 | 508,262 | 509,426 |
| Total District-Wide | \$ 60,017,152 | \$ 63,329,537 | \$ 69,240,192 | \$ 63,960,645 | \$ 71,097,525 | \$ 72,043,784 | \$ 73,579,088 | \$ 74,335,901 | \$ 75,082,023 | \$ 77,250,699 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 1,860,704 | \$ 4,767,190 | \$ 15,154,357 | \$ 1,093,904 | \$ 1,869,226 | \$ 6,013,706 | \$ 9,185,100 | \$ 3,384,944 | \$ (82,005) | \$ (525,284) |
| Business-Type Activities | (18,597) | 20,227 | 54,438 | 100,866 | 70,350 | (23,352) | 51,539 | 38,610 | 75,680 | 66,597 |
| Total District | \$ 1,842,107 | \$ 4,787,417 | \$ 15,208,795 | \$ 1,194,770 | \$ 1,939,576 | \$ 5,990,354 | \$ 9,236,639 | \$ 3,423,554 | \$ (6,325) | \$ (458,687) |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 5,685,480 | \$ 7,709,563 | \$ 12,907,470 | \$ 7,355,662 | | | | | | |
| Unreserved | 363,166 | 420,989 | (1,701,304) | (1,404,832) | | | | | | |
| Nonspendable | | | | | | | | \$ 222,232 | \$ 111,116 | |
| Restricted | | | | | \$ 4,758,608 | \$ 8,034,102 | \$ 8,691,054 | 9,856,929 | 9,467,872 | \$ 9,202,878 |
| Committed | | | | | 541,544 | 131,791 | 180,361 | 529,245 | 423,991 | 309,878 |
| Assigned | | | | | 2,066,600 | 1,223,556 | 2,426,848 | 1,702,673 | 815,291 | 1,667,784 |
| Unassigned | - | - | - | - | (1,293,550) | (1,470,132) | (1,684,780) | (1,709,765) | (1,652,334) | (1,647,226) |
| Total General Fund | <u>\$ 6,048,646</u> | <u>\$ 8,130,552</u> | <u>\$ 11,206,166</u> | <u>\$ 5,950,830</u> | <u>\$ 6,073,202</u> | <u>\$ 7,919,317</u> | <u>\$ 9,613,483</u> | <u>\$ 10,601,314</u> | <u>\$ 9,165,936</u> | <u>\$ 9,533,314</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 1,523,610 | \$ 21,149,173 | \$ 3,887,907 | \$ 7,104,783 | | | | | | |
| Unreserved | 3,488,025 | (9,571,255) | 1,876,411 | (1,349,043) | | | | | | |
| Restricted | | | | | \$ 4,183,257 | \$ 2,007,465 | \$ 1,550,311 | \$ 1,044,460 | \$ 499,958 | \$ 2,648,799 |
| Total All Other Governmental Funds | <u>\$ 5,011,635</u> | <u>\$ 11,577,918</u> | <u>\$ 5,764,318</u> | <u>\$ 5,755,740</u> | <u>\$ 4,183,257</u> | <u>\$ 2,007,465</u> | <u>\$ 1,550,311</u> | <u>\$ 1,044,460</u> | <u>\$ 499,958</u> | <u>\$ 2,648,799</u> |

8 Beginning with the 2010/11 Fiscal Year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Revenues | | | | | | | | | | |
| Property Tax Levy | \$ 42,427,638 | \$ 44,019,178 | \$ 44,422,716 | \$ 44,396,912 | \$ 46,477,030 | \$ 45,527,731 | \$ 46,335,280 | \$ 46,889,208 | \$ 47,337,165 | \$ 49,014,914 |
| Miscellaneous | 1,389,903 | 2,566,100 | 2,614,236 | 1,825,583 | 555,657 | 1,865,664 | 1,836,842 | 1,154,656 | 884,872 | 1,533,890 |
| State Sources | 31,233,233 | 34,632,895 | 38,183,673 | 29,710,039 | 35,396,441 | 39,136,676 | 42,912,761 | 41,732,329 | 41,184,480 | 43,404,790 |
| Federal Sources | 2,343,058 | 4,752,752 | 9,844,679 | 9,939,397 | 4,431,586 | 7,053,092 | 6,870,370 | 5,506,448 | 4,198,681 | 4,755,582 |
| Total Revenues | 77,393,832 | 85,970,925 | 95,065,304 | 85,871,931 | 86,860,714 | 93,583,163 | 97,955,253 | 95,282,641 | 93,605,198 | 98,709,176 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 36,124,138 | 39,375,784 | 37,748,212 | 39,656,866 | 38,493,481 | 39,842,839 | 40,812,892 | 41,780,251 | 42,565,681 | 43,909,681 |
| Special Education Instruction | 8,359,278 | 8,825,704 | 9,025,809 | 10,789,990 | 11,350,615 | 10,942,923 | 11,634,469 | 11,342,082 | 13,089,595 | 14,103,142 |
| Other Instruction | 4,601,148 | 4,988,725 | 4,353,943 | 4,175,519 | 3,274,259 | 3,353,977 | 2,914,201 | 2,717,321 | 2,618,113 | 2,843,504 |
| School Sponsored Activities and Athletics | 1,429,278 | 1,593,687 | 1,217,039 | 1,315,147 | 1,287,414 | 1,265,183 | 1,282,607 | 1,303,110 | 1,276,764 | 1,339,932 |
| Support Services: | | | | | | | | | | |
| Student and Inst. Related Services | 5,849,555 | 6,396,500 | 6,685,513 | 7,783,452 | 7,132,255 | 7,877,266 | 8,060,790 | 7,975,682 | 8,107,689 | 7,904,892 |
| General Administration | 2,025,015 | 2,181,746 | 2,252,698 | 2,287,525 | 2,420,433 | 2,792,677 | 2,465,123 | 2,912,794 | 2,609,139 | 2,542,639 |
| School Administrative Services | 4,382,370 | 4,538,853 | 4,363,110 | 4,709,899 | 6,278,848 | 6,430,530 | 6,532,163 | 6,758,836 | 6,875,942 | 7,378,796 |
| Plant Operations and Maintenance | 7,398,782 | 7,828,585 | 8,804,436 | 8,901,577 | 8,744,355 | 8,663,650 | 9,151,095 | 8,921,168 | 9,556,186 | 9,576,584 |
| Pupil Transportation | 1,096,909 | 1,274,945 | 1,349,605 | 1,393,794 | 1,299,289 | 1,358,119 | 1,471,338 | 1,473,340 | 1,668,320 | 1,719,521 |
| Business/Central Services | 1,295,365 | 1,090,452 | 1,206,489 | 1,213,368 | 1,215,647 | 1,657,294 | 1,693,280 | 1,659,558 | 1,914,327 | 1,963,755 |
| Capital Outlay | 630,523 | 9,997,926 | 18,348,184 | 6,648,971 | 4,719,037 | 7,690,441 | 8,551,056 | 6,268,849 | 2,936,632 | 4,725,970 |
| Debt Service: | | | | | | | | | | |
| Principal | 1,116,717 | 1,023,512 | 916,376 | 886,394 | 1,075,000 | 1,080,000 | 1,090,000 | 1,095,000 | 1,189,608 | 1,271,068 |
| Interest and Other Charges | 237,522 | 399,721 | 933,850 | 642,084 | 716,114 | 650,886 | 647,623 | 673,671 | 668,820 | 524,047 |
| Cost of Issuance | | | | | | | | | 108,484 | |
| Total Expenditures | 74,546,600 | 89,516,140 | 97,205,264 | 90,404,586 | 88,006,747 | 93,605,785 | 96,306,637 | 94,881,662 | 95,185,300 | 99,803,531 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 2,847,232 | (3,545,215) | (2,139,960) | (4,532,655) | (1,146,033) | (22,622) | 1,648,616 | 400,979 | (1,580,102) | (1,094,355) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Premiums on Bonds/Notes | | | | | | | | | 706,406 | |
| Leases Purchase Proceeds | | | | | | | | 394,437 | | 4,120,000 |
| Bond/Refunding Bond Proceeds | | 12,725,000 | | | | | | | 6,740,000 | |
| Payments to Escrow Agents | | | | | | | | | (7,337,922) | |
| Transfers In | 1,016,858 | 387,150 | 853,881 | 2,742,349 | 343,504 | 1,445,496 | 916,198 | 583,738 | 504,834 | 67 |
| Transfers Out | (1,479,430) | (918,746) | (1,451,907) | (3,473,608) | (647,582) | (1,752,551) | (1,327,802) | (897,174) | (1,013,096) | (509,493) |
| Total Other Financing Sources (Uses) | (462,572) | 12,193,404 | (598,026) | (731,259) | (304,078) | (307,055) | (411,604) | 81,001 | (399,778) | 3,610,574 |
| Net Change in Fund Balances | \$ 2,384,660 | \$ 8,648,189 | \$ (2,737,986) | \$ (5,263,914) | \$ (1,450,111) | \$ (329,677) | \$ 1,237,012 | \$ 481,980 | \$ (1,979,880) | \$ 2,516,219 |
| Debt Service as a Percentage of Noncapital Expenditures | 1.83% | 1.79% | 2.35% | 1.82% | 2.15% | 2.01% | 1.98% | 2.00% | 2.01% | 1.89% |

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

| Fiscal Year Ended June 30, | Interest Earned | Rentals | Adult School | Solar Energy Sales | Miscellaneous | Total |
|---|----------------------------|----------------|---------------------|-------------------------------|----------------------|--------------|
| 2007 | \$ 816,398 | \$ 57,882 | \$ 58,000 | | \$ 309,514 | \$ 1,241,794 |
| 2008 | 1,117,966 | 55,815 | 58,500 | | 705,215 | 1,937,496 |
| 2009 | 211,507 | 49,105 | 51,000 | | 599,704 | 911,316 |
| 2010 | 18,479 | 50,825 | 67,000 | \$ 999,800 | 382,876 | 1,518,980 |
| 2011 | 51,608 | 57,616 | 60,439 | | 264,617 | 434,280 |
| 2012 | 44,780 | 56,237 | 65,897 | 629,376 | 391,849 | 1,188,139 |
| 2013 | 30,252 | 54,250 | 65,134 | 275,711 | 412,762 | 838,109 |
| 2014 | 22,752 | 43,293 | 59,563 | 161,289 | 222,790 | 509,687 |
| 2015 | 23,470 | 52,596 | 50,462 | 210,956 | 295,045 | 632,529 |
| 2016 | 26,871 | 36,462 | 65,058 | 310,678 | 744,224 | 1,183,293 |

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

| Fiscal Year Ended June 30, | Vacant Land | Residential | Commercial | Industrial | Apartment | Total Assessed Value | Public Utilities | Net Valuation Taxable | Estimated Actual (County Equalized) Valuation | Total Direct School Tax Rate ^a |
|-------------------------------------|---------------|----------------|----------------|----------------|---------------|----------------------|------------------|-----------------------|---|---|
| 2007 | \$ 16,500,400 | \$ 666,130,000 | \$ 104,965,500 | \$ 241,456,200 | \$ 34,796,100 | \$ 1,063,848,200 | \$ 2,195,701 | \$ 1,066,043,901 | \$ 3,793,750,537 | \$ 4.055 |
| 2008 | 16,229,700 | 669,910,300 | 104,347,400 | 243,826,800 | 34,666,300 | 1,068,980,500 | 2,101,056 | 1,071,081,556 | 4,105,333,676 | 4.128 |
| 2009 | 17,311,100 | 671,986,000 | 105,156,300 | 240,243,000 | 34,241,500 | 1,068,937,900 | 2,176,198 | 1,071,114,098 | 4,148,721,067 | 4.145 |
| 2010 | 18,430,500 | 672,502,400 | 105,147,200 | 233,907,300 | 34,198,500 | 1,064,185,900 | 2,410,654 | 1,066,596,554 | 3,956,951,460 | 4.262 |
| 2011 | 16,903,400 | 673,346,700 | 108,500,400 | 228,065,700 | 34,027,900 | 1,060,844,100 | 3,123,915 | 1,063,968,015 | 3,723,345,984 | 4.323 |
| 2012 | 16,583,100 | 674,244,400 | 108,131,200 | 226,154,800 | 34,003,900 | 1,059,117,400 | 3,211,348 | 1,062,328,748 | 3,468,973,947 | 4.324 |
| 2013 | 15,293,100 | 674,617,500 | 108,221,800 | 225,847,400 | 33,924,600 | 1,057,904,400 | 3,070,234 | 1,060,974,634 | 3,277,405,251 | 4.394 |
| 2014 | 14,078,200 | 675,822,900 | 112,403,000 | 215,090,300 | 33,487,200 | 1,050,881,600 | 2,743,918 | 1,053,625,518 | 3,272,805,570 | 4.472 |
| 2015 | 14,492,500 | 677,591,940 | 111,905,700 | 215,841,800 | 33,348,100 | 1,053,180,040 | 2,554,395 | 1,055,734,435 | 3,467,639,014 | 4.563 |
| 2016 | 13,551,600 | 678,291,340 | 114,196,600 | 212,596,300 | 33,738,200 | 1,052,374,040 | 2,597,073 | 1,054,971,113 | 3,621,562,461 | 4.775 |

Source: County Abstract of Ratables

a - Tax rates are per \$100

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

| Calendar Year | Overlapping Rates | | | Total Direct and Overlapping Tax Rate |
|------------------|-------------------|--------------|----------|---|
| | School | Municipality | County | |
| 2007 | \$ 4.055 | \$ 2.733 | \$ 1.488 | \$ 8.276 |
| 2008 | 4.128 | 3.156 | 1.492 | 8.776 |
| 2009 | 4.145 | 3.280 | 1.522 | 8.947 |
| 2010 | 4.262 | 3.387 | 1.522 | 9.171 |
| 2011 | 4.323 | 3.514 | 1.630 | 9.467 |
| 2012 | 4.324 | 3.603 | 1.691 | 9.618 |
| 2013 | 4.394 | 3.733 | 1.664 | 9.791 |
| 2014 | 4.472 | 3.872 | 1.692 | 10.036 |
| 2015 | 4.563 | 3.992 | 1.771 | 10.326 |
| 2016 | 4.775 | 4.058 | 1.836 | 10.669 |

Source: County Abstract of Ratables

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

| Taxpayer | 2016 | | 2007 | |
|---------------------------------|------------------------------|--|------------------------------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| RTC Properties, Inc. | \$ 30,993,200 | 2.94% | \$ 54,342,800 | 5.10% |
| PSE&G | 21,851,300 | 2.07% | 16,900,700 | 1.58% |
| RTL Services | 12,774,400 | 1.21% | | |
| AMB Alliance Fund III | 11,000,000 | 1.04% | 14,000,000 | 1.31% |
| DVL Holdings | 8,868,100 | 0.84% | | |
| Sunset Cahuenga | 8,500,000 | 0.81% | 9,977,300 | 0.94% |
| Wal-Mart | 9,264,200 | 0.88% | 7,405,800 | 0.69% |
| Hurricane Associates, LLC | 6,617,400 | 0.63% | 8,000,000 | 0.75% |
| Orangewood Prop. LTD | 5,633,500 | 0.53% | 5,777,000 | 0.54% |
| Hartz Mountain Industries | | 0.00% | 6,569,200 | 0.62% |
| Kearny Holding VF LLC | 5,359,000 | 0.51% | 5,965,800 | 0.56% |
| Jeryl Industries | | | 5,253,800 | 0.49% |
| Education & Health Center, Inc. | 4,998,300 | 0.47% | 4,998,300 | 0.47% |
| | <u>\$ 125,859,400</u> | <u>11.93%</u> | <u>\$ 139,190,700</u> | <u>13.05%</u> |

Source: Municipal Tax Assessor

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

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years |
|-------------------------------------|--|---|-----------------------|---------------------------------------|
| | | Amount | Percentage of Levy | |
| 2007 | \$ 42,427,638 | \$ 42,427,638 | 100.00% | N/A |
| 2008 | 44,019,178 | 44,019,178 | 100.00% | N/A |
| 2009 | 44,422,716 | 44,422,716 | 100.00% | N/A |
| 2010 | 44,396,912 | 44,396,912 | 100.00% | N/A |
| 2011 | 46,477,030 | 46,477,030 | 100.00% | N/A |
| 2012 | 45,527,731 | 45,527,731 | 100.00% | N/A |
| 2013 | 46,335,280 | 46,335,280 | 100.00% | N/A |
| 2014 | 46,889,208 | 46,889,208 | 100.00% | N/A |
| 2015 | 47,337,165 | 47,234,598 | 99.78% | \$ 102,567 |
| 2016 | 49,014,914 | 49,005,110 | 99.98% | 9,804 |

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

| Fiscal Year Ended June 30, | Governmental Activities | | | | | Total District | Population | Per Capita |
|-------------------------------------|--------------------------------|----------------------------------|-------------------|---------------------------------|-------------------------------------|----------------|------------|------------|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Intergovern- mental Loans | Bond/Grant Anticipation Notes | | | |
| 2007 | \$ 4,012,000 | \$ 1,291,677 | \$ 120,463 | \$ 42,144 | \$ 4,600,000 | \$ 10,066,284 | 37,494 | \$ 268 |
| 2008 | 16,322,000 | 786,971 | 37,729 | 21,072 | 4,000,000 | 21,167,772 | 36,818 | 575 |
| 2009 | 15,985,000 | 266,395 | - | - | 3,500,000 | 19,751,395 | 36,607 | 540 |
| 2010 | 15,365,000 | | | | | 15,365,000 | 36,544 | 420 |
| 2011 | 14,290,000 | | | | 10,000,000 | 24,290,000 | 40,728 | 596 |
| 2012 | 13,210,000 | | | | 10,000,000 | 23,210,000 | 41,351 | 561 |
| 2013 | 12,120,000 | | | | 7,500,000 | 19,620,000 | 41,661 | 471 |
| 2014 | 11,025,000 | | 394,437 | | 15,000,000 | 26,419,437 | 41,946 | 630 |
| 2015 | 9,780,000 | | 329,829 | | 15,000,000 | 25,109,829 | 42,183 | 595 |
| 2016 | 8,580,000 | | 4,378,761 | | 15,000,000 | 27,958,761 | 42,137 | 664 |

Source: District records

KEARNY BOARD OF EDUCATION
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 of Property | Per Capita |
|-------------------------------------|---------------------------------|---------------------------------|------------|---|---|------------|
| | General Obligation Bonds | Inter- governmental Loans | Deductions | | | |
| 2007 | \$ 4,012,000 | \$ 42,144 | | \$ 4,054,144 | 0.38% | \$ 108 |
| 2008 | 16,322,000 | 21,072 | | 16,343,072 | 1.53% | 444 |
| 2009 | 15,985,000 | - | | 15,985,000 | 1.49% | 437 |
| 2010 | 15,365,000 | - | | 15,365,000 | 1.44% | 420 |
| 2011 | 14,290,000 | - | | 14,290,000 | 1.34% | 351 |
| 2012 | 13,210,000 | - | | 13,210,000 | 1.24% | 319 |
| 2013 | 12,120,000 | - | | 12,120,000 | 1.14% | 291 |
| 2014 | 11,025,000 | - | | 11,025,000 | 1.05% | 263 |
| 2015 | 9,780,000 | - | | 9,780,000 | 0.93% | 232 |
| 2016 | 8,580,000 | - | | 8,580,000 | 0.81% | 204 |

Source: District records

**KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
(Unaudited)**

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|---|----------------------|----------------------|---------------------------|
| Municipal Debt: (1) | | | |
| Kearny Board of Education (as of June 30, 2016) | \$ 8,580,000 | | \$ 8,580,000 |
| Town of Kearny | <u>71,287,861</u> | <u>\$ 18,962,816</u> | <u>52,325,045</u> |
| | <u>\$ 79,867,861</u> | <u>\$ 18,962,816</u> | <u>60,905,045</u> |
| Overlapping Debt Apportioned to the Municipality: | | | |
| County of Hudson | | | 31,181,769 |
| Passaic Valley Sewerage Commission | | | 8,284,993 |
| North Jersey District Water Supply Commission | | | <u>3,788,440</u> |
| | | | <u>43,255,202</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 104,160,247</u> |

Source:

Municipal and County Annual Debt Statements

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Debt Limit | \$ 129,989,322 | \$ 129,989,322 | \$ 158,479,662 | \$ 160,013,566 | \$ 154,205,149 | \$ 145,427,054 | \$ 136,452,123 | \$ 130,844,283 | \$ 130,838,539 | \$ 135,481,070 |
| Total Net Debt Applicable to Limit | <u>16,779,795</u> | <u>16,343,072</u> | <u>15,985,000</u> | <u>15,365,000</u> | <u>14,290,000</u> | <u>13,210,000</u> | <u>12,120,000</u> | <u>11,025,000</u> | <u>9,780,000</u> | <u>8,580,000</u> |
| Legal Debt Margin | <u>\$ 113,209,527</u> | <u>\$ 113,646,250</u> | <u>\$ 142,494,662</u> | <u>\$ 144,648,566</u> | <u>\$ 139,915,149</u> | <u>\$ 132,217,054</u> | <u>\$ 124,332,123</u> | <u>\$ 119,819,283</u> | <u>\$ 121,058,539</u> | <u>\$ 126,901,070</u> |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 12.91% | 12.57% | 10.09% | 9.60% | 9.27% | 9.08% | 8.88% | 8.43% | 7.47% | 6.33% |

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|-----------------------------|
| Equalized Valuation Basis | |
| 2015 | \$ 3,550,843,021 |
| 2014 | 3,388,847,469 |
| 2013 | <u>3,221,389,769</u> |
| | <u>\$ 10,161,080,259</u> |
| Average Equalized Valuation of Taxable Property | <u>\$ 3,387,026,753</u> |
| Debt Limit (4% of Average Equalization Value) | \$ 135,481,070 |
| Total Net Debt Applicable to Limit | <u>8,580,000</u> |
| Legal Debt Margin | <u>\$ 126,901,070</u> |

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

| <u>Year</u> | <u>Population</u> | <u>County Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|--|------------------------------|
| 2007 | 37,494 | \$ 38,902 | 5.10% |
| 2008 | 36,818 | 40,816 | 6.80% |
| 2009 | 36,607 | 43,644 | 12.00% |
| 2010 | 36,544 | 42,181 | 12.40% |
| 2011 | 40,728 | 44,241 | 11.30% |
| 2012 | 41,351 | 46,295 | 11.40% |
| 2013 | 41,661 | 47,819 | 9.90% |
| 2014 | 41,946 | 47,886 | 7.50% |
| 2015 | 42,183 | 50,088 | 6.40% |
| 2016 | 42,137 | N/A | N/A |

Source: New Jersey State Department of Education

N/A - Not available

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

INFORMATION NOT AVAILABLE

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

| <u>Function/Program</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> | <u>2015</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | 290 | 306 | 329 | 408 | 398 | 411 | 393 | 399 | 384 | 370 |
| Special Education | 31 | 47 | 45 | 31 | 31 | 29 | 35 | 30 | 34 | 40 |
| Other Special Education | 42 | 42 | 52 | 36 | 36 | 38 | 37 | 44 | 48 | 52 |
| Vocational | 2 | 2 | 3 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | 49 | 49 | 49 | 61 | 60 | 58 | 61 | 60 | 53 | 56 |
| General Administration | 11 | 11 | 11 | 14 | 15 | 15 | 15 | 15 | 13 | 14 |
| School Administrative Services | 38 | 46 | 38 | 19 | 23 | 24 | 23 | 24 | 23 | 23 |
| Central Services | 10 | 10 | 10 | 8 | 9 | 9 | 9 | 9 | 8 | 7 |
| Administrative Information Technology | 1 | 1 | 4 | 4 | 4 | 4 | 7 | 7 | 8 | 8 |
| Plant Operations and Maintenance | 67 | 67 | 66 | 72 | 72 | 72 | 68 | 68 | 69 | 66 |
| Pupil Transportation | 4 | 4 | 4 | 9 | 12 | 12 | 12 | 12 | 13 | 13 |
| Special Schools | 72 | 72 | 72 | 40 | 40 | 37 | 37 | 37 | 37 | 37 |
| Total | <u>617</u> | <u>657</u> | <u>683</u> | <u>705</u> | <u>703</u> | <u>712</u> | <u>700</u> | <u>708</u> | <u>693</u> | <u>688</u> |

Source: District Personnel Records

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

Pupil/Teacher Ratio

| Fiscal Year | Enrollment ^a | Operating Expenditures ^b | Cost Per Pupil ^c | Percentage Change | Teaching Staff | Elementary | Middle School | Senior High School | Average Daily Enrollment | Average Daily Attendance | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|----------------|------------|---------------|--------------------|--------------------------|--------------------------|--------------------------------------|-------------------------------|
| 2007 | 5,442 | \$ 73,199,118 | \$ 13,451 | 3.96% | N/A | 1:22.8 | 1:17.5 | 1:10.4 | 5,452 | 5,150 | 1.32% | 94.46% |
| 2008 | 5,580 | 78,094,981 | 13,996 | 4.05% | N/A | 1:21.6 | 1:18.7 | 1:10.5 | 5,589 | 5,260 | 2.51% | 94.11% |
| 2009 | 5,774 | 77,006,854 | 13,337 | -4.71% | N/A | 01:15.4 | 01:19.2 | 01:10.2 | 5,746 | 5,490 | 2.81% | 95.54% |
| 2010 | 5,744 | 82,227,137 | 14,315 | 7.34% | N/A | 1:16 | 1:19 | 1:11 | 5,709 | 5,427 | -0.64% | 95.06% |
| 2011 | 5,830 | 81,496,596 | 13,979 | -2.35% | N/A | 1:15 | 1:18 | 1:10 | 5,418 | 5,154 | -5.10% | 95.13% |
| 2012 | 5,894 | 84,184,458 | 14,283 | 2.18% | N/A | 1:15 | 1:22 | 1:12 | 5,887 | 5,594 | 8.66% | 95.02% |
| 2013 | 5,979 | 86,017,958 | 14,387 | 0.73% | N/A | 1:15 | 1:22 | 1:13 | 6,018 | 5,785 | 2.23% | 96.13% |
| 2014 | 5,911 | 86,844,142 | 14,692 | 2.12% | N/A | 1:15 | 1:22 | 1:13 | 5,912 | 5,641 | -1.76% | 95.42% |
| 2015 | 5,915 | 90,281,756 | 15,263 | 3.89% | N/A | 1:15 | 1:22 | 1:13 | 5,909 | 5,608 | -0.05% | 94.91% |
| 2016 | 5,909 | 93,282,446 | 15,787 | 3.43% | N/A | 1:15 | 1:22 | 1:13 | 5,912 | 5,617 | 0.05% | 95.01% |

Sources: District records

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

N/A Not Available

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| District Building | | | | | | | | | | |
| Elementary | | | | | | | | | | |
| <u>Franklin</u> | | | | | | | | | | |
| Square Feet | 108,820 | 108,820 | 108,820 | 108,820 | 108,820 | 108,820 | 114,854 | 114,854 | 114,854 | 114,854 |
| Capacity (students) | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 | 1,099 |
| Enrollment | 953 | 947 | 1,012 | 1,027 | 1,029 | 1,056 | 1,095 | 1,086 | 1,103 | 1,146 |
| <u>Garfield</u> | | | | | | | | | | |
| Square Feet | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 | 63,095 |
| Capacity (students) | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 | 578 |
| Enrollment | 527 | 586 | 594 | 591 | 604 | 661 | 666 | 654 | 562 | 526 |
| <u>Lincoln Middle School</u> | | | | | | | | | | |
| Square Feet | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 | 88,510 |
| Capacity (students) | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 |
| Enrollment | 674 | 698 | 748 | 748 | 749 | 794 | 825 | 817 | 865 | 882 |
| <u>Roosevelt</u> | | | | | | | | | | |
| Square Feet | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 | 43,385 |
| Capacity (students) | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 | 463 |
| Enrollment | 472 | 455 | 463 | 463 | 461 | 462 | 455 | 457 | 483 | 466 |
| <u>Schuyler</u> | | | | | | | | | | |
| Square Feet | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 | 54,880 |
| Capacity (students) | 514 | 514 | 514 | 514 | 514 | 514 | 514 | 514 | 514 | 514 |
| Enrollment | 458 | 482 | 486 | 484 | 534 | 518 | 518 | 504 | 553 | 530 |
| <u>Washington</u> | | | | | | | | | | |
| Square Feet | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 | 86,220 |
| Capacity (students) | 671 | 671 | 671 | 671 | 671 | 671 | 671 | 671 | 671 | 671 |
| Enrollment | 622 | 650 | 666 | 657 | 659 | 683 | 689 | 703 | 625 | 621 |
| High School | | | | | | | | | | |
| Square Feet | 163,760 | 163,760 | 163,760 | 163,760 | 163,760 | 163,760 | 276,400 | 276,400 | 276,400 | 276,400 |
| Capacity (students) | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 | 1,569 |
| Enrollment | 1,736 | 1,762 | 1,805 | 1,774 | 1,794 | 1,720 | 1,731 | 1,690 | 1,710 | 1,747 |

Number of Schools at June 30, 2016

Elementary = 5

Middle = 1

High School = 1

Source: District Records

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| School Facilities | | | | | | | | | | |
| Kearny High School | \$ 609,717 | \$ 737,928 | \$ 512,894 | \$ 749,779 | \$ 694,882 | \$ 630,522 | \$ 678,456 | \$ 651,132 | \$ 805,694 | \$ 766,505 |
| Franklin School | 326,394 | 310,442 | 448,429 | 376,160 | 348,619 | 316,330 | 340,377 | 326,670 | 404,213 | 384,551 |
| Garfield School | 189,462 | 180,213 | 259,983 | 218,096 | 202,128 | 183,407 | 197,349 | 189,402 | 234,361 | 222,962 |
| Lincoln School | 264,666 | 251,716 | 364,702 | 306,172 | 283,756 | 257,475 | 277,047 | 265,890 | 329,006 | 313,003 |
| Roosevelt School | 129,374 | 123,056 | 178,767 | 149,449 | 138,507 | 125,679 | 135,233 | 129,787 | 160,595 | 152,783 |
| Schuyler School | 164,016 | 156,006 | 226,158 | 189,662 | 175,776 | 159,496 | 171,620 | 164,708 | 203,807 | 193,893 |
| Washington School | <u>258,747</u> | <u>246,112</u> | <u>355,279</u> | <u>298,065</u> | <u>276,242</u> | <u>250,657</u> | <u>269,711</u> | <u>258,850</u> | <u>320,294</u> | <u>304,715</u> |
| Total School Facilities | <u>\$ 1,942,376</u> | <u>\$ 2,005,473</u> | <u>\$ 2,346,212</u> | <u>\$ 2,287,383</u> | <u>\$ 2,119,910</u> | <u>\$ 1,923,566</u> | <u>\$ 2,069,793</u> | <u>\$ 1,986,439</u> | <u>\$ 2,457,970</u> | <u>\$ 2,338,412</u> |

Source: District Records

KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
(Unaudited)

| | <u>Coverage</u> | <u>Deductible</u> |
|--|-----------------|-------------------|
| School Package Policy (School Alliance Insurance Fund) | | |
| Property | \$ 250,000,000 | \$ 2,500 |
| Commercial General Liability | 5,000,000 | 2,500 |
| Crime | 500,000 | 1,000 |
| School Board Legal Liability | 5,000,000 | 10,000 |
| Excess Liability | 5,000,000 | |
| Workers' Compensation | 5,000,000 | |
| Surety Bonds (Selective Insurance) | | |
| Treasurer | 400,000 | |
| Board Secretary/Business Administrator | 400,000 | |

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated September 27, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kearny Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Kearny Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated September 27, 2016.

Kearny Board of Education's Response to Finding

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

Purpose of this Report

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



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
September 27, 2016

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Kearny Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of Kearny Board of Education's major federal and state programs for the fiscal year ended June 30, 2016. The Kearny Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Kearny Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Kearny Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Kearny Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

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

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

Report on Schedules of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated September 27, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


 Gary J. Vinci
 Public School Accountant
 PSA Number CS00829

Fair Lawn, New Jersey
 September 27, 2016

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| Federal/Grantor/Pass-Through Grant Program Title | Federal CFDA Number | Federal FAIN Number | Grant Period | Award Amount | Balance July 1, 2015 | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustment | Refund of Prior Year Balances | (Account Receivable) | June 30, 2016 | | (Memo Only) GAAP Account Receivable |
|--|---------------------|---------------------|----------------|--------------|-----------------------|------------------|---------------------|------------------------|-------------|-------------------------------|------------------------|---------------------|-----------------|-------------------------------------|
| | | | | | | | | | | | | Unearned Revenue | Due to Grantor | |
| U.S. Department of Education | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | |
| Medicaid Assistance Program | 93.778 | | 7/1/14-6/30/15 | \$ 214,213 | \$ (105,012) | | \$ 105,012 | | | | | | | |
| Medicaid Assistance Program | 93.778 | 1605NJ5MAP | 7/1/15-6/30/16 | 241,679 | | | 136,556 | \$ 241,679 | | | \$ (105,123) | | | \$ (105,123) |
| Medicaid Assistance (MAC) | 93.778 | 1605NJ5MAP | 7/1/15-6/30/16 | 12,049 | | | 12,049 | 12,049 | | | | | | |
| Total Medicaid Assistance Programs - General Fund | | | | | (105,012) | - | 253,617 | 253,728 | - | - | (105,123) | - | - | (105,123) |
| U.S. Department of Education | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | |
| Food Distribution Program | 10.555 | 16161NJ304N1099 | 7/1/15-6/30/16 | 136,251 | | | 136,251 | 131,659 | | | | \$ 4,592 | | |
| Food Distribution Program | 10.555 | | 7/1/14-6/30/15 | 133,952 | 2,813 | | | 2,813 | | | | | | |
| National School Lunch Program | 10.555 | 16161NJ304N1099 | 7/1/15-6/30/16 | 1,070,926 | | | 865,171 | 1,070,926 | | | (205,755) | | | (205,755) |
| National School Lunch Program | 10.555 | | 7/1/14-6/30/15 | 1,017,877 | (62,936) | | 62,936 | | | | | | | |
| National School Breakfast Program | 10.553 | 16161NJ304N1099 | 7/1/15-6/30/16 | 83,215 | | | 64,500 | 83,215 | | | (18,715) | | | (18,715) |
| National School Breakfast Program | 10.553 | | 7/1/14-6/30/15 | 88,199 | (7,527) | | 7,527 | | | | | | | |
| Total U.S. Department of Agriculture - Enterprise Fund | | | | | (67,650) | - | 1,136,385 | 1,288,613 | - | - | (224,470) | 4,592 | - | (224,470) |
| U.S. Department of Education | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | |
| Title I, Part A | 84.010A | S010A150030 | 7/1/15-6/30/16 | 1,558,712 | | \$ 49,203 | 659,517 | 1,576,637 | \$ (49,203) | | (948,398) | 31,278 | | (917,120) |
| Title I, Part A | 84.010A | | 7/1/14-6/30/15 | 1,323,538 | (503,404) | (49,203) | 503,404 | | 49,203 | | | | | |
| Total Title I | | | | | (503,404) | - | 1,162,921 | 1,576,637 | - | - | (948,398) | 31,278 | - | (917,120) |
| I.D.E.A Part B, Basic Regular | 84.027 | H027A150100 | 7/1/15-6/30/16 | 1,367,261 | | 21,456 | 941,225 | 1,366,196 | (21,456) | | (447,492) | 22,521 | | (424,971) |
| I.D.E.A Part B, Basic Regular | 84.027 | | 7/1/14-6/30/15 | 1,325,562 | (747,169) | (21,456) | 747,169 | | 21,456 | | | | | |
| I.D.E.A Part B, Basic Regular | 84.027 | | 7/1/13-6/30/14 | 1,254,682 | 229 | | | | | | | \$ 229 | | |
| I.D.E.A. Part B, Preschool | 84.173 | H173A150114 | 7/1/15-6/30/16 | 27,126 | | | 27,126 | 27,126 | | | | | | |
| I.D.E.A. Part B, Preschool | 84.173 | | 7/1/14-6/30/15 | 25,602 | (1,292) | | 1,292 | | | | | | | |
| Total I.D.E.A | | | | | (748,232) | - | 1,716,812 | 1,393,322 | - | - | (447,492) | 22,521 | 229 | (424,971) |
| Title II, Part A | 84.367A | S367A150029 | 7/1/15-6/30/16 | 134,945 | | 9,203 | 62,720 | 142,063 | (9,203) | | (81,428) | 2,085 | | (79,343) |
| Title II, Part A | 84.367A | | 7/1/14-6/30/15 | 137,969 | (50,263) | (9,203) | 50,263 | | 9,203 | | | | | |
| Total Title II | | | | | (50,263) | - | 112,983 | 142,063 | - | - | (81,428) | 2,085 | - | (79,343) |
| Title III | 84.365A | S365A150030 | 7/1/15-6/30/16 | 61,044 | | 181 | 13,733 | 31,654 | (181) | | (47,492) | 29,571 | | (17,921) |
| Title III | 84.365A | | 7/1/14-6/30/15 | 54,483 | (44,889) | (181) | 44,889 | | 181 | | | | | |
| Title III | 84.365A | | 7/1/13-6/30/14 | 51,230 | 1,026 | | | | | | | | 1,026 | |
| Title III Immigrant | 84.365A | S365A150030 | 7/1/15-6/30/16 | 48,694 | | 3,778 | 9,516 | 13,842 | (3,778) | | (42,956) | 38,630 | | (4,326) |
| Title III Immigrant | 84.365A | | 7/1/14-6/30/15 | 42,471 | (32,225) | (3,778) | 32,225 | | 3,778 | | | | | |
| Total Title III | | | | | (76,088) | - | 100,363 | 45,496 | - | - | (90,448) | 68,201 | 1,026 | (22,247) |
| Carl D. Perkins- Voc. Education | 84.048A | V048A140030 | 7/1/15-6/30/16 | 51,760 | | | 44,497 | 51,758 | | | (7,263) | 2 | | (7,261) |
| Carl D. Perkins- Voc. Education | 84.048A | | 7/1/14-6/30/15 | 60,302 | (59,967) | | 59,967 | | | | | | | |
| Carl D. Perkins- Voc. Education | 84.048A | | 7/1/13-6/30/14 | 56,243 | (3,000) | | | | | | (3,000) | | | (3,000) |
| Carl D. Perkins- Voc. Education | 84.048A | | 7/1/12-6/30/13 | 56,316 | 188 | | | | | \$ 188 | | | | |
| Total Carl D. Perkins | | | | | (62,779) | - | 104,464 | 51,758 | - | 188 | (10,263) | 2 | - | (10,261) |
| Total U.S. Department of Education - Special Revenue Fund | | | | | (1,440,766) | - | 3,197,543 | 3,209,276 | - | 188 | (1,578,029) | 124,087 | 1,255 | (1,453,942) |
| U.S. Department of Transportation | | | | | | | | | | | | | | |
| Airport Improvement Program | | | | | | | | | | | | | | |
| Aircraft Noise Abatement - K.H.S. | 20.106 | | Not Available | 21,145,025 | (4,734,542) | | 3,072,004 | 1,292,578 | | | (11,663,113) | 8,707,997 | | (11,663,113) |
| Total U.S. Department of Transportation - Capital Projects Fund | | | | | (4,734,542) | - | 3,072,004 | 1,292,578 | - | - | (11,663,113) | 8,707,997 | - | (11,663,113) |
| Total Federal Awards | | | | | \$ (6,347,970) | \$ - | \$ 7,659,549 | \$ 6,044,195 | \$ - | \$ 188 | \$ (13,570,735) | \$ 8,836,676 | \$ 1,255 | \$ (13,446,648) |

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KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2015 | | | | June 30, 2016 | | | | MEMO | | |
|---|-------------------------------|----------------|--------------|--------------------------------|----------------|------------------|-------------------|------------------------|---------------------------------|-----------------------|-------------------|----------------|-------------------|-------------------------------|
| | | | | Unearned Revenue/ (Accts Rec.) | Due to Grantor | Carryover Amount | Cash Received | Budgetary Expenditures | Refund of Prior Years' Balances | (Accounts Receivable) | Unearned Revenue/ | Due to Grantor | GAAP Receivable | Cumulative Total Expenditures |
| State Department of Education | | | | | | | | | | | | | | |
| Special Education Aid | 16-495-034-5120-089 | 7/1/15-6/30/16 | \$ 3,528,116 | | | | \$ 3,177,820 | \$ 3,528,116 | | \$ (350,296) | | | \$ 3,528,116 | |
| Special Education Aid | 15-495-034-5120-089 | 7/1/14-6/30/15 | 3,528,116 | \$ (349,703) | | | 349,703 | | | | | | | |
| Equalization Aid | 16-495-034-5120-078 | 7/1/15-6/30/16 | 26,090,104 | | | | 23,499,700 | 26,090,104 | | (2,590,404) | | | 26,090,104 | |
| Equalization Aid | 15-495-034-5120-078 | 7/1/14-6/30/15 | 26,090,104 | (2,586,021) | | | 2,586,021 | | | | | | | |
| Security Aid | 16-495-034-5120-084 | 7/1/15-6/30/16 | 349,488 | | | | 314,788 | 349,488 | | (34,700) | | | 349,488 | |
| Security Aid | 15-495-034-5120-084 | 7/1/14-6/30/15 | 349,488 | (34,641) | | | 34,641 | | | | | | | |
| Under Adequacy Aid | 16-495-034-5120-096 | 7/1/15-6/30/16 | 500,000 | | | | 450,357 | 500,000 | | (49,643) | | | 500,000 | |
| Under Adequacy Aid | 15-495-034-5120-096 | 7/1/14-6/30/15 | 500,000 | (49,559) | | | 49,559 | | | | | | | |
| PARCC Readiness Aid | 16-495-034-5120-098 | 7/1/15-6/30/16 | 58,140 | | | | 52,368 | 58,140 | | (5,772) | | | 58,140 | |
| PARCC Readiness Aid | 15-495-034-5120-098 | 7/1/14-6/30/15 | 58,140 | (5,763) | | | 5,763 | | | | | | | |
| Per Pupil Growth Aid | 16-495-034-5120-097 | 7/1/15-6/30/16 | 58,140 | | | | 52,368 | 58,140 | | (5,772) | | | 58,140 | |
| Per Pupil Growth Aid | 15-495-034-5120-097 | 7/1/14-6/30/15 | 58,140 | (5,763) | | | 5,763 | | | | | | | |
| Total State Aid Public | | | | (3,031,450) | - | - | 30,578,851 | 30,583,988 | - | (3,036,587) | - | - | 30,583,988 | |
| Extraordinary Aid | 16-100-034-5120-473 | 7/1/15-6/30/16 | 313,834 | | | | | 313,834 | | (313,834) | | | 313,834 | |
| Extraordinary Aid | 15-100-034-5120-473 | 7/1/14-6/30/15 | 303,728 | (303,728) | | | 303,728 | | | | | | | |
| Transportation Aid | 16-495-034-5120-014 | 7/1/15-6/30/16 | 50,657 | | | | 45,627 | 50,657 | | (5,030) | | | 50,657 | |
| Transportation Aid | 15-495-034-5120-014 | 7/1/14-6/30/15 | 50,657 | (5,021) | | | 5,021 | | | | | | | |
| TPAF Social Security Aid | 16-495-034-5094-002 | 7/1/15-6/30/16 | 2,797,821 | | | | 2,185,846 | 2,797,821 | | (611,975) | | \$ (611,975) | 2,797,821 | |
| TPAF Social Security Aid | 15-495-034-5094-003 | 7/1/14-6/30/15 | 2,817,963 | (612,315) | | | 612,315 | | | | | | | |
| On Behalf TPAF NCGI Premium | 16-495-034-5094-007 | 7/1/15-6/30/16 | 151,419 | | | | 151,419 | 151,419 | | - | | | 151,419 | |
| On Behalf TPAF Pension Contrib. | 16-495-034-5094-006 | 7/1/15-6/30/16 | 3,039,709 | | | | 3,039,709 | 3,039,709 | | - | | | 3,039,709 | |
| On Behalf TPAF Post Retirement Medical Benefit Contribution | 16-495-034-5094-001 | 7/1/15-6/30/16 | 3,799,751 | | | | 3,799,751 | 3,799,751 | | - | | | 3,799,751 | |
| Total General Fund | | | | (3,952,514) | - | - | 40,722,267 | 40,737,179 | - | (3,967,426) | - | - | (611,975) | 40,737,179 |
| Early Childhood Program Aid | 07-495-034-5120-025 | 7/1/06-6/30/07 | 2,511,213 | 1,669,838 | | \$ (502,460) | | | | | \$ 1,167,378 | | | |
| Preschool Education Aid | 16-495-034-5120-086 | 7/1/15-6/30/16 | 388,278 | | | 539,891 | 349,450 | 860,817 | | (38,828) | 67,352 | | 860,817 | |
| Preschool Education Aid | 15-495-034-5120-086 | 7/1/14-6/30/15 | 435,897 | (6,159) | | (37,431) | 43,590 | | | | | | - | |
| Preschool Education Aid | 14-495-034-5120-086 | 7/1/13-6/30/14 | 439,560 | 76,988 | | | | | | | 76,988 | | - | |
| New Jersey Nonpublic Aid | | | | | | | | | | | | | | |
| Textbook Aid | 16-100-034-5120-064 | 7/1/15-6/30/16 | 4,397 | | | | 4,397 | 4,397 | | | | | 4,397 | |
| Textbook Aid | 15-100-034-5120-064 | 7/1/14-6/30/15 | 5,660 | | 7 | | | | 7 | | | | - | |
| Auxiliary Services | | | | | | | | | | | | | | |
| Compensatory Education | 16-100-034-5120-067 | 7/1/15-6/30/16 | 38,071 | | | | 38,071 | 592 | | | 37,479 | | 592 | |
| Compensatory Education | 15-100-034-5120-067 | 7/1/14-6/30/15 | 41,207 | | 36,728 | | | | 36,728 | | | | - | |
| ESL | 16-100-034-5120-067 | 7/1/15-6/30/16 | 5,177 | | | | 5,177 | | | | 5,177 | | - | |
| ESL | 15-100-034-5120-067 | 7/1/14-6/30/15 | 3,654 | | \$ 1,096 | | | | 1,096 | | | | - | |
| Handicapped Services | | | | | | | | | | | | | | |
| Examination and Classification | 16-100-034-5120-066 | 7/1/15-6/30/16 | 18,225 | | | | 18,225 | 9,663 | | | 8,562 | | 9,663 | |
| Examination and Classification | 15-100-034-5120-066 | 7/1/14-6/30/15 | 10,808 | | 1,897 | | | | 1,897 | | | | - | |
| Corrective Speech | 16-100-034-5120-066 | 7/1/15-6/30/16 | 10,869 | | | | 10,869 | 6,103 | | | 4,766 | | 6,103 | |
| Corrective Speech | 15-100-034-5120-066 | 7/1/14-6/30/15 | 9,719 | | 3,004 | | | | 3,004 | | | | - | |
| Supplementary | 16-100-034-5120-066 | 7/1/15-6/30/16 | 8,168 | | | | 8,168 | 5,198 | | | 2,970 | | 5,198 | |
| Supplementary | 15-100-034-5120-066 | 7/1/14-6/30/15 | 13,340 | | 4,708 | | | | 4,708 | | | | - | |
| Nursing | 16-100-034-5120-070 | 7/1/15-6/30/16 | 8,100 | | | | 8,100 | 8,100 | | | | | 8,100 | |
| Technology | 16-100-034-5120-373 | 7/1/15-6/30/16 | 2,002 | | | | 2,002 | 2,002 | | | | | 2,002 | |
| Technology | 14-100-034-5120-373 | 7/1/13-6/30/14 | 2,080 | | 25 | | | | | | 25 | | - | |
| Security | 16-100-034-5120-509 | 7/1/15-6/30/16 | 2,250 | | | | 2,250 | 2,250 | | | | | 2,250 | |
| Department of Human Services | | | | | | | | | | | | | | |
| School Based Youth Services | SB08020 | 7/1/15-6/30/16 | 280,637 | | | | 280,637 | 280,637 | | | | | 280,637 | |
| School Based Youth Services | SB08020 | 7/1/14-6/30/15 | 277,587 | 2,219 | | | | | | | 2,219 | | - | |
| School Based Youth Services | SB08020 | 7/1/13-6/30/14 | 277,587 | | 34 | | | | | | | 34 | - | |
| School Based Youth Services | SB08020 | 7/1/12-6/30/13 | 282,387 | | 203 | | | | | | | 203 | - | |
| School Based Youth Services | SB08020 | 7/1/09-6/30/10 | 277,587 | 27,839 | | | | | | | 27,839 | | - | |
| Total Special Revenue Fund | | | | 1,770,725 | 47,702 | - | 770,936 | 1,179,759 | 47,440 | (38,828) | 1,341,776 | 59,216 | 1,179,759 | |

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

**KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2015 | | | Cash Received | Budgetary Expenditures | Refund of Prior Years' Balances | June 30, 2016 | | | MEMO | |
|--|-------------------------------|----------------|-----------------|--------------------------------|----------------|------------------|---------------|------------------------|---------------------------------|-----------------------|-------------------|----------------|-----------------|-------------------------------|
| | | | | Unearned Revenue/ (Accts Rec.) | Due to Grantor | Carryover Amount | | | | (Accounts Receivable) | Unearned Revenue/ | Due to Grantor | GAAP Receivable | Cumulative Total Expenditures |
| New Jersey Economic Development Authority | | | | | | | | | | | | | | |
| Facilities Grant Program | | | | | | | | | | | | | | |
| KHS - Façade | 2410-050-05-1400 | N/A | \$ 2,433,708 | \$ (429,006) | | | | | \$ (474,603) | \$ 45,597 | | \$ (474,603) | \$ 2,388,111 | |
| KHS Aircraft Noise Abatement | 2410-050-04-3000 | N/A | 17,608,507 | (9,198,238) | | \$ 1,760,850 | \$ 1,077,148 | | (15,759,614) | 7,245,078 | - | (15,759,614) | 10,609,645 | |
| Franklin School and BOE Offices | 2410-X02-09-1002 | N/A | 873,582 | (873,582) | | | | | (873,582) | | | (873,582) | 873,582 | |
| Franklin School Alterations | 2410-070-09-2001 | N/A | 47,250 | (26,293) | - | - | - | - | (47,250) | 20,957 | - | (47,250) | 26,293 | |
| Total Capital Projects Fund | | | | (10,527,119) | - | - | 1,760,850 | 1,077,148 | - | (17,155,049) | 7,311,632 | (17,155,049) | 13,897,631 | |
| Debt Service Aid | 16-495-034-5120-075 | 7/1/15-6/30/16 | 425,956 | - | - | - | 425,956 | 425,956 | - | - | - | - | 425,956 | |
| Total Debt Service Fund | | | | - | - | - | 425,956 | 425,956 | - | - | - | - | 425,956 | |
| State Department of Agriculture | | | | | | | | | | | | | | |
| State School Lunch Program | 16-100-010-3360-023 | 7/1/15-6/30/16 | 23,376 | | | | 18,926 | 23,376 | | (4,450) | | (4,450) | 23,376 | |
| State School Lunch Program | 15-100-010-3350-023 | 7/1/14-6/30/15 | 23,581 | (2,099) | - | - | 2,099 | - | | | | | | |
| Total Enterprise Fund | | | | (2,099) | - | - | 21,025 | 23,376 | - | (4,450) | - | (4,450) | 23,376 | |
| Total State Awards | | | \$ (12,711,007) | \$ 47,702 | \$ - | \$ - | \$ 43,701,034 | 43,443,418 | \$ 47,440 | \$ (21,165,753) | \$ 8,653,408 | \$ 59,216 | \$ (17,771,474) | \$ 56,263,901 |
| Less: State Aid Not Subject to Single Audit: | | | | | | | | | | | | | | |
| On-Behalf TPAF NCGI Premium | | | | | | | | (151,419) | | | | | | |
| On-Behalf TPAF Pension Contribution | | | | | | | | (3,039,709) | | | | | | |
| On-Behalf TPAF Post-Retirement Medical | | | | | | | | (3,799,751) | | | | | | |
| Total State Financial Assistance Subject to Single Audit | | | | | | | \$ 36,452,539 | | | | | | | |

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$15,252 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------------|---------------------|----------------------|----------------------|
| General Fund | \$ 253,728 | \$ 40,721,927 | \$ 40,975,655 |
| Special Revenue Fund | 3,209,276 | 1,179,759 | 4,389,035 |
| Capital Projects Fund | 1,292,578 | 1,077,148 | 2,369,726 |
| Debt Service Fund | | 425,956 | 425,956 |
| Food Service Fund | 1,288,613 | 23,376 | 1,311,989 |
| Total Financial Assistance | <u>\$ 6,044,195</u> | <u>\$ 43,428,166</u> | <u>\$ 49,472,361</u> |

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$2,797,821 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$3,191,128 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$3,799,751 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Were significant deficiencies identified that were not considered to be material weaknesses? X yes none reported

Noncompliance material to the basic financial statements noted? X yes no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of Uniform Guidance yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>FAIN Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-----------------------|---|
| <u>84.027</u> | <u>H027A150100</u> | <u>IDEA Basic</u> |
| <u>84.173</u> | <u>H173A150114</u> | <u>IDEA Preschool</u> |
| <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> |
| <u> </u> | <u> </u> | <u> </u> |

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

Auditee qualified as low-risk auditee? yes X no

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,093,576

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08? X yes none

Identification of major programs:

| <u>State Grant/Project Number(s)</u> | <u>Name of State Program</u> |
|--------------------------------------|--------------------------------|
| <u>495-034-5120-078</u> | <u>Equalization Aid</u> |
| <u>495-034-5120-089</u> | <u>Special Education Aid</u> |
| <u>495-034-5120-084</u> | <u>Security Aid</u> |
| <u>495-034-5120-096</u> | <u>Under Adequacy Aid</u> |
| <u>495-034-5120-098</u> | <u>PARCC Readiness Aid</u> |
| <u>495-034-5120-097</u> | <u>Per Pupil Growth</u> |
| <u>495-034-5120-086</u> | <u>Preschool Education Aid</u> |
| <u> </u> | <u> </u> |
| <u> </u> | <u> </u> |

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2016-001

In June 2016, the District awarded a contract for \$26.8 million for construction relating to the Kearny High School Expansion and Noise Abatement Project. The contract was not recorded as an encumbrance in the District's year end Capital Projects Fund financial statements.

Criteria or Specific Requirement

Local Public Contracts Law
N.J.S.A. 18A

Condition

A contract was awarded in June 2016 by the Board. A purchase order was not encumbered for the contract award in the District's financial accounting records.

Context

Funds are required to be encumbered (earmarked) when contracts are awarded to ensure that the necessary funds are available.

Effect

The net position (fund balance) of the District and the funds available in the Capital Projects Fund were overstated at June 30, 2016. An audit adjustment was made to record the contract amount.

Cause

The District did not encumber a purchase order upon approval/award of the contract by the Board.

Recommendation

The District encumber all capital contracts when awarded by the Board of Trustees.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that corrective action will be taken.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section .516 of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and New Jersey OMB Circular Letter 15-08, as applicable.

CURRENT YEAR FEDERAL AWARDS

There are none.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section .516 of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and New Jersey OMB Circular Letter 15-08, as applicable.

CURRENT YEAR STATE AWARDS

Finding 2016-001

The District's supporting workpapers for students reported in the "Application for State School Aid" (ASSA) categories for on-roll, resident low income, resident LEP low income and LEP not low income were not in agreement with the number of students reported on the ASSA.

Information on Program

| | |
|-------------------------------|-----------------------|
| State Aid Public Equalization | |
| 495-034-5120-078 | Equalization Aid |
| 495-034-5120-089 | Special Education Aid |
| 495-034-5120-084 | Security Aid |
| 495-034-5120-096 | Under Adequacy Aid |
| 495-034-5120-098 | PARCC Readiness Aid |
| 495-034-5120-097 | Per Pupil Growth |

Criteria or Specific Requirement

The State Department of Education required that school districts complete the Application for State School Aid and maintain a complete set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported.

Condition

The enrollments reported on the District's ASSA were not always in agreement with the workpapers maintained by the District.

Questioned Costs

Unknown.

Context

Differences existed between the enrollment numbers on the ASSA and the District's supporting workpapers.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section .516 of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and New Jersey OMB Circular Letter 15-08, as applicable.

CURRENT YEAR STATE AWARDS

Finding 2016-001 (Continued)

Effect

The District reported 305 more students in the resident low income category than were listed in the supporting workpapers. Differences were noted with other student categories.

Cause

Unknown.

Recommendation

The District implement procedures to ensure that the student counts reported on the ASSA application are in agreement with the District's internal workpapers.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that corrective action will be taken.

**KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards and New Jersey OMB's Circular 15-08, as applicable

STATUS OF PRIOR YEAR FINDINGS

There were none.