

**Comprehensive Annual
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Kinnelon Borough School District
Board of Education**

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors.....	6

FINANCIAL SECTION..... 7

Independent Auditors' Report.....	8
-----------------------------------	---

Required Supplementary Information.....	11
Management's Discussion and Analysis (Unaudited).....	12

Basic Financial Statements (Sections A. and B.).....	22
--	----

A. District-Wide Financial Statements.....	23
--	----

A-1 Statement of Net Position	24
A-2 Statement of Activities.....	25

B. Fund Financial Statements.....	27
-----------------------------------	----

B-1 Balance Sheet – Governmental Funds	28
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
B-4 Statement of Net Position – Proprietary Funds.....	31
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	32
B-6 Statement of Cash Flows – Proprietary Funds.....	33
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	34
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	35

Notes to Financial Statements.....	36
------------------------------------	----

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited).....	68
--	----

L-1 Schedule of District's Proportionate Share of the Net Pension Liability- Public Employees Retirement System.....	68
L-2 Schedule of District Contributions – Public Employees Retirement System	69
L-3 Schedule of District's Proportionate Share of the Net Pension Liability- Teachers' Pension and Annuity Fund.....	70
Notes to Required Supplementary Information.....	71

C. Budgetary Comparison Schedules (Unaudited).....	72
--	----

C-1 Budgetary Comparison Schedule – General Fund.....	73
C-2 Budgetary Comparison Schedule – Budgetary Basis - Special Revenue Fund	85
C-3 Budgetary Comparison Schedule – Note to RSI.....	86

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable)	
E. Special Revenue Fund	87
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	88
E-2 Preschool Education Aid Schedule of Expenditures (Not Applicable)	
F. Capital Projects Fund (Not Applicable).....	90
G. Proprietary Funds.....	91
Enterprise Funds	
G-1 Combining Statement of Net Position	92
G-2 Combining Statement of Revenue, Expenses and Changes in Fund Net Position	93
G-3 Combining Statement of Cash Flows	94
H. Fiduciary Funds	95
H-1 Combining Statement of Fiduciary Net Position	96
H-2 Combining Statement of Changes in Fiduciary Net Position	97
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	98
H-4 Student Activity Agency Fund Statement of Activity By School.....	99
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	100
I. Long-Term Debt	101
I-1 Schedule of Serial Bonds	102
I-2 Schedule of Obligations Under Capital Leases	103
I-3 Debt Service Fund Budgetary Comparison Schedule.....	104
J. STATISTICAL SECTION (Unaudited)	105
J-1 Net Position by Component.....	106
J-2 Changes in Net Position.....	107
J-3 Fund Balances - Governmental Funds.....	109
J-4 Changes in Fund Balances – Governmental Funds	110
J-5 General Fund Other Local Revenue by Source	111
J-6 Assessed Value and Actual Value of Taxable Property.....	112
J-7 Direct and Overlapping Tax Rates.....	113
J-8 Principal Property Taxpayers.....	114
J-9 Property Tax Levies and Collections	115
J-10 Ratios of Outstanding Debt by Type	116
J-11 Ratios of Net General Bonded Debt Outstanding.....	117
J-12 Ratios of Overlapping Governmental Activities Debt.....	118
J-13 Legal Debt Margin Information.....	119

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

J. STATISTICAL SECTION (Unaudited) (Cont'd)	
J-14 Demographic and Economic Statistics	120
J-15 Principal Employers.....	121
J-16 Full-Time Equivalent District Employees by Function/Program	122
J-17 Operating Statistics	123
J-18 School Building Information	124
J-19 Schedule of Required Maintenance for School Facilities	125
J-20 Insurance Schedule	126
K. Single Audit Section	127
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	128
Report on Compliance For Each Major State Program; Report On Internal Control Over Compliance	130
Schedule of Expenditures of Federal Awards.....	132
Schedule of Expenditures of State Awards.....	133
Notes to the Schedules of Expenditures of Federal and State Awards	135
Schedule of Findings and Questioned Costs.....	137
Summary Schedule of Prior Audit Findings	139

INTRODUCTORY SECTION



KINNELON PUBLIC SCHOOLS

109 KIEL AVENUE ♦ KINNELON, NEW JERSEY 07405

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

Website: www.kinnelonpublicschools.org

Kerry Keane
Business Administrator
Board Secretary

October 15, 2016

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
109 Kiel Avenue
Kinnelon, New Jersey 07405

Dear Board Members:

The comprehensive annual financial report of the Kinnelon Board of Education (the “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 Kinnelon Board of Education (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circulars 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 internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Kinnelon School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board “GASB” as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. All funds of the District are included in this report. The Kinnelon Board of Education and all its schools constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through Grade 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 1,992 students.

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
Page 2
October 15, 2016

2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 4.2%. This is approximately .7% lower than the national average. Future home development is limited due to the implementation of the Highlands Act.

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

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

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

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

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

Honorable President and
 Members of the Board of Education
 Kinnelon Borough School District
 Page 3
 October 15, 2016

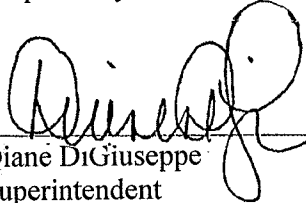
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the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

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

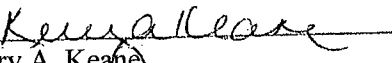
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the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

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

Respectfully submitted,

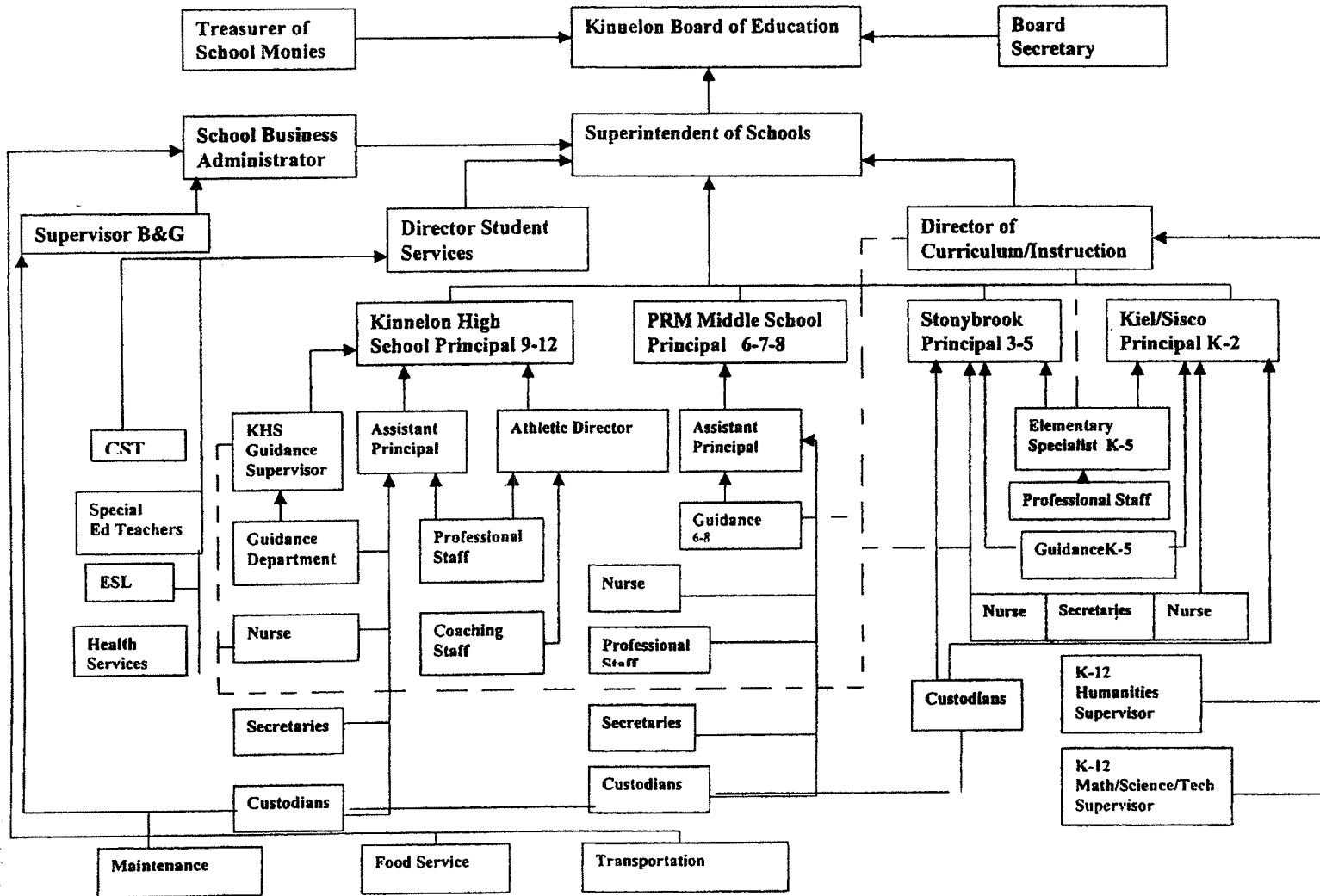


 Diane DiGiuseppe
 Superintendent



 Kerry A. Keane
 Board Secretary/Business Administrator

KINNELON SCHOOL DISTRICT ORGANIZATIONAL CHART



**BOROUGH OF KINNELON BOARD OF EDUCATION
KINNELON, NEW JERSEY**

ROSTER OF OFFICIALS
JUNE 30, 2016

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Marcy Pryor	President	2016
Michael Petruccelli	Vice President	2018
Denise Hatch	Member	2017
Brian Davin	Member	2016
Jessica Barish	Member	2016
Marianne DeAlessi	Member	2017
Jemi Gillen-Ruth	Member	2018

Other Officials

Diane DiGiuseppe, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

John J. Mooney
Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEYS

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

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

OFFICIAL DEPOSITORY

Lakeland Bank
Route 23 North
Kinnelon, NJ 07405

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris, as of June 30, 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, which follows this report, the pension schedules in Exhibits L-1 to L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

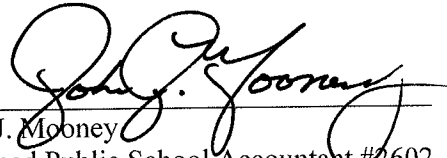
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 15, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP

NISIVOCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

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

Management Discussion and Analysis (Unaudited)

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status decreased slightly on a district-wide basis and increased significantly on the fund basis in the current year.
- In 2015/16, the Governmental Activities had \$47,309,186 in revenue. The majority of Governmental Activities revenue was raised through local property taxes and state aid. The total Governmental Activities expenses for 2015/16 were \$47,407,202.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates like a business, such as food services and the enrichment program.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

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

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

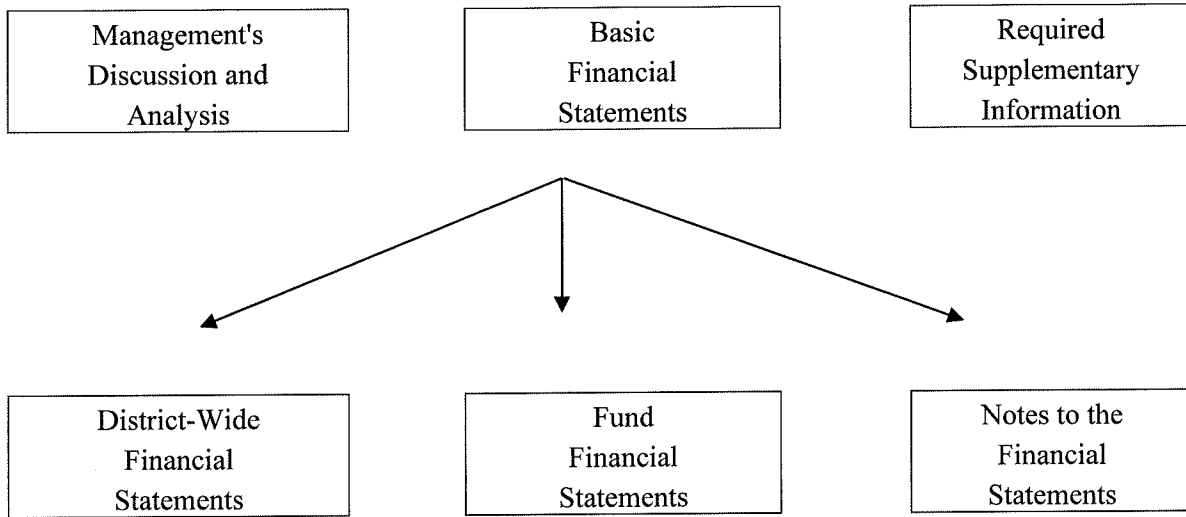


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the district's assets, deferred inflows and outflows and liabilities – is one way to measure the district's financial health or *position*.

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

In the district-wide financial statements, the district's activities are divided into two categories:

- *Governmental activities*: Most of the district's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The district charges fees to help it cover the costs of certain services it provides. The district's food service and enrichment program are included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the district's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The district uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The district currently does not maintain any internal service funds.

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

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

Financial Analysis of the District as a Whole

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

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2015/16
	Governmental Activities		Business-Type Activities		Total School District		
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	
Current and Other Assets	\$ 2,106,617	\$ 2,563,576	\$ 255,701	\$ 290,246	\$ 2,362,318	\$ 2,853,822	20.81%
Capital Assets, Net	42,266,918	41,351,197	65,787	70,392	42,332,705	41,421,589	-2.15%
Total Assets	44,373,535	43,914,773	321,488	360,638	44,695,023	44,275,411	-0.94%
Deferred Outflows of Resources	1,348,473	2,781,024			1,348,473	2,781,024	106.24%
Long-Term Debt Outstanding	29,372,157	30,865,754			29,372,157	30,865,754	5.09%
Other Liabilities	2,180,007	2,054,919	10,787	15,401	2,190,794	2,070,320	-5.50%
Total Liabilities	31,552,164	32,920,673	10,787	15,401	31,562,951	32,936,074	4.35%
Deferred Inflows of Resources	459,120	162,416			459,120	162,416	-64.62%
Net Position:							
Net Investment in Capital Assets	21,151,918	20,326,091	65,787	70,392	21,217,705	20,396,483	-3.87%
Restricted	677,206	1,119,539			677,206	1,119,539	65.32%
Unrestricted/(Deficit)	(8,118,400)	(7,832,922)	244,914	274,845	(7,873,486)	(7,558,077)	-4.01%
Total Net Position	\$ 13,710,724	\$ 13,612,708	\$ 310,701	\$ 345,237	\$ 14,021,425	\$ 13,957,945	-0.45%

Changes in net position: The District's *combined* net position was \$63,480, or 0.45%, less than it was the year before primarily due to the general operations of the District. (See Figure A-4).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities 2015/16	Business-Type Activities 2015/16	Total School District 2015/16	Governmental Activities 2014/15	Business-Type Activities 2014/15	Total School District 2014/15	Percentage Change 2015/16
Revenue:							
Program Revenue:							
Charges for Services	\$ 95,199	\$ 802,535	\$ 897,734	\$ 111,993	\$ 727,901	\$ 839,894	6.89%
Operating Grants and Contributions	11,336,746	77,617	11,414,363	9,663,459	72,344	9,735,803	17.24%
General Revenue:							
Property Taxes	35,513,410		35,513,410	34,673,171		34,673,171	2.42%
Other	363,831	439	364,270	198,824	363	199,187	82.88%
Total Revenue	47,309,186	880,591	48,189,777	44,647,447	800,608	45,448,055	6.03%
Expenses:							
Instruction	27,531,454		27,531,454	25,627,075		25,627,075	7.43%
Pupil and Instruction Services	8,665,465		8,665,465	8,267,997		8,267,997	4.81%
Administrative and Business	4,166,028		4,166,028	3,760,660		3,760,660	10.78%
Maintenance and Operations	3,744,103		3,744,103	3,997,483		3,997,483	-6.34%
Transportation	2,002,699		2,002,699	2,113,636		2,113,636	-5.25%
Other	1,297,453	846,055	2,143,508	922,532	777,224	1,699,756	26.11%
Total Expenses	47,407,202	846,055	48,253,257	44,689,383	777,224	45,466,607	6.13%
Increase/(Decrease) in Net Position	\$ (98,016)	\$ 34,536	\$ (63,480)	\$ (41,936)	\$ 23,384	\$ (18,552)	242.17%

Revenue Sources. The District's total revenue for the 2015/16 school year was \$48,189,777. (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$35,513,410 of the total, or 73.69 percent. (See Figure A-5). The remainder came from State and Federal Aid, miscellaneous sources and charges for services. It is important to note that of the State and Federal Aid and Grants of \$11,414,363, \$4,028,957 is included in funds that are not received by the District, but are included in funding for Social Security which is received by the District, and pension payments and post retirement benefits that the State of New Jersey pays on behalf of the District. The Kinnelon Borough School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5

Sources of Revenue for Fiscal Year 2016

	Amount	Percentage
Sources of Income:		
Operating Grants and Contributions	\$ 11,414,363	23.69%
Property Taxes	35,513,410	73.69%
Charges for Services	897,734	1.86%
Other	364,270	0.76%
	\$ 48,189,777	100.00%

The total cost of all programs and services was \$48,253,257. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.17 percent). (See Figure A-6). The District's administrative and business activities accounted for 8.63 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2016

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 27,531,454	57.06%
Pupil and Instruction Services	8,665,465	17.96%
Administrative and Business	4,166,028	8.63%
Maintenance and Operations	3,744,103	7.76%
Transportation	2,002,699	4.15%
Other	2,143,508	4.44%
	<u>\$ 48,253,257</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased slightly. This was mostly attributable to the increased costs of maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils while revenues increased significantly less than related expenses. The District is also faced with significant increases in health benefit costs.

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

- Authorized participation in several co-op purchasing programs to reduce costs.
- Monitoring of Special Education Costs and Out of District Tuition

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

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

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015/16</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2014/15</u>
Instruction	\$ 27,531,454	\$ 19,737,011	\$ 25,627,075	\$ 19,148,703
Pupil and Instruction Services	8,665,465	6,735,806	8,267,997	6,593,367
Administrative and Business	4,166,028	3,337,232	3,760,660	3,131,944
Maintenance and Operations	3,744,103	3,236,752	3,997,483	3,580,965
Transportation	2,002,699	1,631,003	2,113,636	1,771,974
Other	1,297,453	1,297,453	922,532	922,532
	<u>\$ 47,407,202</u>	<u>\$ 35,975,257</u>	<u>\$ 44,689,383</u>	<u>\$ 35,149,485</u>

- The cost of all governmental activities this year was \$47,407,202.
- The federal and state governments subsidized certain programs with grants and contributions (\$11.34 million).
- Most of the District's costs (\$35.51 million), however, were financed by District taxpayers.
- A portion of governmental activities was financed with \$1,479,898 in state aid based on the SFRAPAY formula, which is included in the \$11.41 million grants and contributions noted above.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$34,536. (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by approximately \$3,546.
- Enrichment program revenues exceeded expenses by approximately \$30,990.
- Enrichment program interest totaled \$438 and food service interest totaled \$187.
- A transfer from the Food Service Fund to the General Fund for interest in the amount of \$186.

Financial Analysis of the District's Funds

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

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

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

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

General Fund Budgetary Highlights

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

- Over the course of the year, the District reviewed the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2015/16
	Government Activities		Business-Type Activities		Total School District		
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	0.00%
Buildings and Building Improvements	40,274,589	41,424,400			40,274,589	41,424,400	-2.78%
Machinery and Equipment	1,030,798	796,708	\$ 70,392	\$ 65,787	1,101,190	862,495	27.67%
Total Capital Assets (net of Depreciation)	<u>\$ 41,351,197</u>	<u>\$ 42,266,918</u>	<u>\$ 70,392</u>	<u>\$ 65,787</u>	<u>\$ 41,421,589</u>	<u>\$ 42,332,705</u>	-2.15%

Depreciation expense for Governmental activities totaled \$1,356,140 in 2015/16. Depreciation expense for business-type activities totaled \$13,995 in 2015/16.

Long-term Liabilities

At year-end, the District had \$30,865,754 in general obligation bonds and other long-term liabilities outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9

	Outstanding Long-Term Liabilities		Percentage Change 2015/16
	Total School District		
	2015/16	2014/15	
General Obligation Bonds (Financed with Property Taxes)	\$ 19,735,000	\$ 21,115,000	-6.54%
Net Pension Liability	9,814,506	7,609,140	28.98%
Compensated Absences	1,042,511	648,017	60.88%
Capital Leases	273,737		100.00%
	<u>\$ 30,865,754</u>	<u>\$ 29,372,157</u>	<u>5.09%</u>

- The District's accrued compensated absences increased by \$394,494, mainly due to vesting of additional employees now eligible for compensated absences and a change in the method used to calculate the liability.
- The District paid down debt, retiring \$1,380,000 of outstanding bonds.
- The District entered into new capital leases totaling \$273,737.
- The District's net pension liability increased by \$2,205,366.

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

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

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

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, Glen Sisco School, 109 Kiel Road, Kinnelon, NJ 07405.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 840,661	\$ 259,751	\$ 1,100,412
Receivables from Other Governments	574,829	4,635	579,464
Other Receivables	16,399		16,399
Internal Balances	(15,242)	15,242	
Interfund Receivable	12,148		12,148
Inventory		10,618	10,618
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,119,539		1,119,539
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	41,305,387	70,392	41,375,779
Total Assets	<u>43,899,531</u>	<u>360,638</u>	<u>44,260,169</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	1,003,660		1,003,660
Difference Between Expected and Actual - Pension	234,140		234,140
Changes in Assumptions - Pension	1,054,000		1,054,000
Changes in Proportions - Pension	489,224		489,224
Total Deferred Outflows of Resources	<u>2,781,024</u>		<u>2,781,024</u>
LIABILITIES			
Current Liabilities:			
Payable to State Government	940		940
Unamortized Bond Premium	2,020,029		2,020,029
Prepaid Sales		12,192	12,192
Unearned Revenue	18,708	3,209	21,917
Noncurrent Liabilities:			
Due Within One Year	1,431,128		1,431,128
Due Beyond One Year	29,434,626		29,434,626
Total Liabilities	<u>32,905,431</u>	<u>15,401</u>	<u>32,920,832</u>
DEFERRED INFLOWS OF RESOURCES:			
Investment Gains - Pensions	157,798		157,798
Changes in Proportions - Pensions	4,618		4,618
Total Deferred Inflows of Resources	<u>162,416</u>		<u>162,416</u>
NET POSITION			
Net Investment in Capital Assets	20,326,091	70,392	20,396,483
Restricted for:			
Capital Projects	1,119,539		1,119,539
Unrestricted/(Deficit)	(7,832,922)	274,845	(7,558,077)
Total Net Position	<u>\$ 13,612,708</u>	<u>\$ 345,237</u>	<u>\$ 13,957,945</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular	\$ 19,783,406	\$ 95,199	\$ 4,355,167		\$ (15,333,040)	\$ (15,333,040)
Special Education	5,415,147		2,900,659		(2,514,488)	(2,514,488)
Other Special Instruction	659,958		150,546		(509,412)	(509,412)
Other Instruction	1,672,943		292,872		(1,380,071)	(1,380,071)
Support services:						
Tuition	1,607,359		408,378		(1,198,981)	(1,198,981)
Student & Instruction Related Services	7,058,106		1,521,281		(5,536,825)	(5,536,825)
General Administrative Services	676,806		88,773		(588,033)	(588,033)
School Administrative Services	2,783,629		600,398		(2,183,231)	(2,183,231)
Central Services	571,136		108,020		(463,116)	(463,116)
Administrative Information Technology	134,457		31,605		(102,852)	(102,852)
Plant Operations and Maintenance	3,744,103		507,351		(3,236,752)	(3,236,752)
Pupil Transportation	2,002,699		371,696		(1,631,003)	(1,631,003)
Interest on Long-Term Debt	769,935				(769,935)	(769,935)
Capital Outlay	527,518				(527,518)	(527,518)
Total Governmental Activities	47,407,202	95,199	11,336,746	-0-	(35,975,257)	(35,975,257)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 576,502	\$ 502,430	\$ 77,617		\$ 3,545	\$ 3,545
Enrichment Program	269,553	300,105			30,552	30,552
Total Business-Type Activities	<u>846,055</u>	<u>802,535</u>	<u>77,617</u>		<u>34,097</u>	<u>34,097</u>
Total Primary Government	<u>\$ 48,253,257</u>	<u>\$ 897,734</u>	<u>\$ 11,414,363</u>	<u>\$ (35,975,257)</u>	<u>34,097</u>	<u>(35,941,160)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				33,389,621		33,389,621
Taxes Levied for Debt Service				2,123,789		2,123,789
Investment Earnings					439	439
Miscellaneous Income				294,281		294,281
Federal and State Aid not Restricted				69,550		69,550
Total General Revenue				<u>35,877,241</u>	<u>439</u>	<u>35,877,680</u>
Change in Net Position				(98,016)	34,536	(63,480)
Net Position - Beginning				<u>13,710,724</u>	<u>310,701</u>	<u>14,021,425</u>
Net Position - Ending				<u>\$ 13,612,708</u>	<u>\$ 345,237</u>	<u>\$ 13,957,945</u>

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

FUND FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 840,661		\$ 840,661
Receivables From State Government	555,505		555,505
Receivables From Federal Government		\$ 19,324	19,324
Other Receivables		16,399	16,399
Interfund Receivable	28,223		28,223
Restricted Cash and Cash Equivalents	1,119,539		1,119,539
Total Assets	\$ 2,543,928	\$ 35,723	\$ 2,579,651
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payable to State Government		\$ 940	\$ 940
Interfund Payable	\$ 15,242	16,075	31,317
Unearned Revenue		18,708	18,708
Total Liabilities	15,242	35,723	50,965
Fund Balances:			
Restricted for:			
Capital Reserve	1,119,539		1,119,539
Assigned:			
Designated For Subsequent Year's Expenditures	150,000		150,000
Year-end Encumbrances	345,991		345,991
Unassigned	913,156		913,156
Total Fund Balances	2,528,686		2,528,686
Total Liabilities and Fund Balances	\$ 2,543,928	\$ 35,723	

Amounts reported for Governmental Activities in the Statement of Net Positions (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 \$66,559,896 and the accumulated depreciation is \$25,208,699.	\$ 41,351,197
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt. The original premium is \$2,471,531 and accumulated amortization is \$451,502.	(2,020,029)
Deferred amount on refunding is not reported as an expense in the governmental funds in the year of expense. The deferred amount on refunding is \$1,451,905 and the accumulated amortization is \$448,245.	1,003,660
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(9,814,506)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,054,000
Changes in Proportions - Pensions	489,224
Difference Between Expected and Actual Experience - Pensions	234,140
Investment Gains - Pensions	(157,798)
Changes in Proportions - Pensions	(4,618)
Other 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	(21,051,248)
Net Position of Governmental Activities	\$ 13,612,708

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 33,389,621		\$ 2,123,789	\$ 35,513,410
Tuition	95,199			95,199
Miscellaneous	208,847	\$ 85,434		294,281
Total - Local Sources	33,693,667	85,434	2,123,789	35,902,890
State Sources	6,067,578	2,894	69,550	6,140,022
Federal Sources		475,304		475,304
Total Revenue	39,761,245	563,632	2,193,339	42,518,216
EXPENDITURES:				
Current:				
Regular Instruction	11,692,895	88,328		11,781,223
Special Education Instruction	3,190,268	66,926		3,257,194
Other Special Instruction	389,775			389,775
Other Instruction	952,371			952,371
Support Services and Undistributed Costs:				
Tuition	1,198,981	408,378		1,607,359
Student & Instruction Related Services	4,510,091			4,510,091
General Administrative Services	497,199			497,199
School Administrative Services	1,645,247			1,645,247
Central Services	390,213			390,213
Administrative Information Technology	81,520			81,520
Plant Operations and Maintenance	2,759,399			2,759,399
Pupil Transportation	1,988,640			1,988,640
Unallocated Benefits	9,611,081			9,611,081
Debt Service:				
Principal			1,380,000	1,380,000
Interest and Other Charges			813,339	813,339
Capital Outlay	694,200			694,200
Total Expenditures	39,601,880	563,632	2,193,339	42,358,851
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	159,365			159,365
OTHER FINANCING SOURCES/(USES):				
Capital Leases (non-budgeted)	273,737			273,737
Total Other Financing Sources/(Uses)	273,737			273,737
Net Change in Fund Balances	433,102			433,102
Fund Balance—July 1	2,095,584			2,095,584
Fund Balance—June 30	\$ 2,528,686	\$ -0-	\$ -0-	\$ 2,528,686

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

KINNELON BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)								
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		\$ 433,102						
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deletions exceeded capital outlays.	<table border="0"> <tr> <td>Depreciation expense</td> <td style="text-align: right;">\$ (1,356,140)</td> </tr> <tr> <td>Capital outlays</td> <td style="text-align: right;">444,988</td> </tr> <tr> <td>Deletions</td> <td style="text-align: right;"><u>(4,569)</u></td> </tr> </table>	Depreciation expense	\$ (1,356,140)	Capital outlays	444,988	Deletions	<u>(4,569)</u>	(915,721)
Depreciation expense	\$ (1,356,140)							
Capital outlays	444,988							
Deletions	<u>(4,569)</u>							
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		1,380,000						
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(394,494)						
Capital Leases are a financing source in the Governmental Funds. They are not revenue in the Statement of Activities; Capital Leases increase long-term liabilities in the Statement of Net Position.		(273,737)						
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:								
Change in Net Pension Liability		(2,205,366)						
Deferred Outflows:								
Changes in Assumptions		814,728						
Changes in Proportion		489,224						
Difference Between Expected and Actual Experience		234,140						
Deferred Inflows:								
Net difference between projected and actual investment earnings on pension plan investments		295,665						
Changes in Proportion		1,039						
The governmental funds report the effect of bond premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (+)		148,945						
The governmental funds report the effect of the deferred amount on refunding costs relative to advance refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (-)		<u>(105,541)</u>						
Change in Net Position of Governmental Activities		<u>\$ (98,016)</u>						

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

Exhibit B-4

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Total Business-type Activities - Non-Major Funds Enterprise Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 259,751
Accounts Receivable:	
Federal	4,343
State	292
Interfund Receivable	15,242
Inventories	10,618
	290,246
Total Current Assets	
Non-Current Assets:	
Capital Assets	407,542
Less: Accumulated Depreciation	(337,150)
	70,392
Total Non-Current Assets	
Total Assets	360,638
<u>LIABILITIES:</u>	
Current Liabilities:	
Prepaid Sales	12,192
Unearned Revenue	3,209
	15,401
Total Current Liabilities	
<u>NET POSITION:</u>	
Net Investment in Capital Assets	70,392
Unrestricted	274,845
	345,237
Total Net Position	\$ 345,237

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

Exhibit B-5

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Business-type Activities - Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 243,341		\$ 243,341
Daily Sales - Non-Reimbursable Programs	259,089		259,089
Program Fees		\$ 300,105	300,105
Total Operating Revenue	502,430	300,105	802,535
Operating Expenses:			
Reimbursable Cost of Sales	129,151		129,151
Non-Reimbursable Cost of Sales	151,802		151,802
Salaries, Benefits & Payroll Taxes	229,739	187,196	416,935
Employee Benefits		11,799	11,799
Management Fee	16,111		16,111
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,584	33,952	35,536
Administrative Expense	33,945	36,606	70,551
Total Operating Expenses	576,502	269,553	846,055
Operating Income/(Loss)	(74,072)	30,552	(43,520)
Non-Operating Income:			
Local Sources:			
Interest Income	1	438	439
State Sources:			
State School Lunch Program	3,654		3,654
Federal Sources:			
National School Lunch Program	54,014		54,014
Food Distribution Program	19,949		19,949
Total Non-Operating Income	77,618	438	78,056
Change in Net Position	3,546	30,990	34,536
Net Position - Beginning of Year	126,265	184,436	310,701
Net Position - End of Year	\$ 129,811	\$ 215,426	\$ 345,237

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>		<u>Total</u>
	<u>Food</u>	<u>Enrichment</u>	<u>Business-type</u>
	<u>Service</u>	<u>Program</u>	<u>Activities -</u>
			<u>Enterprise Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,604	\$ 300,105	\$ 804,709
Payments to Employees	(516,690)	(187,196)	(703,886)
Payments for Benefits		(11,799)	(11,799)
Payments to Suppliers	(26,413)	(33,952)	(60,365)
Payments for Administrative Expenses		(36,606)	(36,606)
Net Cash Provided by/(Used for) Operating Activities	(38,499)	30,552	(7,947)
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	(18,600)		(18,600)
Net Cash Flows Used for Capital Financing Activities	(18,600)		(18,600)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	57,094		57,094
Net Cash Provided by Noncapital Financing Activities	57,094	-0-	57,094
Cash Flows from Investing Activities:			
Investment Income	1	438	439
Net Cash Flows Provided by Investing Activities	1	438	439
Net Increase/(Decrease) in Cash and Cash Equivalents	(4)	30,990	30,986
Cash and Cash Equivalents, July 1	44,329	184,436	228,765
Cash and Cash Equivalents, June 30	<u>\$ 44,325</u>	<u>\$ 215,426</u>	<u>\$ 259,751</u>
Reconciliation of Operating Income to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income/(Loss)	\$ (74,072)	\$ 30,552	\$ (43,520)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by			
/(Used for) Operating Activities:			
Federal Food Distribution Program	19,949		19,949
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Inventory	(2,985)		(2,985)
Increase/(Decrease) in Prepaid Sales	2,174		2,174
Increase/(Decrease) in Unearned Revenue	2,440		2,440
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (38,499)</u>	<u>\$ 30,552</u>	<u>\$ (7,947)</u>

Investing and Financing Activities:

The District had \$769 in USDA donated commodities at June 30, 2015, received commodities valued at \$22,389 and used commodities valued at \$19,949 and had \$3,209 in commodities at June 30, 2016.

Exhibit B-7

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 140,712	\$ 15,944	\$ 81,530	\$ 278,254
Investments			100,303	
Total Assets	<u>140,712</u>	<u>15,944</u>	<u>181,833</u>	<u>278,254</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings				1,349
Interfund Payable General Fund				12,148
Due to Student Groups				264,757
Total Liabilities				<u>278,254</u>
<u>NET POSITION:</u>				
Held in Trust for:				
Flexible Spending Claims		15,944		
Unemployment Claims	140,712			
Restricted for Scholarships			181,833	
Total Net Position	<u>\$ 140,712</u>	<u>\$ 15,944</u>	<u>\$ 181,833</u>	<u>\$ -0-</u>

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

Exhibit B-8

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Totals</u>
ADDITIONS:				
Contributions:				
Plan Members	\$ 57,570	\$ 20,047		\$ 77,617
Donations			\$ 79,500	79,500
Total Contributions	<u>57,570</u>	<u>20,047</u>	<u>79,500</u>	<u>157,117</u>
Investment Earnings:				
Interest	280	16	255	551
Net Investment Earnings	<u>280</u>	<u>16</u>	<u>255</u>	<u>551</u>
Total Additions	<u>57,850</u>	<u>20,063</u>	<u>79,755</u>	<u>157,668</u>
DEDUCTIONS:				
Flexible Spending Claims		22,423		22,423
Unemployment Compensation Claims	66,318			66,318
Scholarships Awarded			42,250	42,250
Total Deductions	<u>66,318</u>	<u>22,423</u>	<u>42,250</u>	<u>130,991</u>
Change in Net Position	(8,468)	(2,360)	37,505	26,677
Net Position - Beginning of the Year	<u>149,180</u>	<u>18,304</u>	<u>144,328</u>	<u>311,812</u>
Net Position - End of the Year	<u>\$ 140,712</u>	<u>\$ 15,944</u>	<u>\$ 181,833</u>	<u>\$ 338,489</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

B. Basis of Presentation

District-Wide Financial Statements

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation (Cont'd)

Fund Financial Statements

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

The District reports the following governmental funds:

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

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

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

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

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

The District reports the following proprietary funds:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation (Cont'd)

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

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 39,758,027	\$ 572,096
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(8,464)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	142,177	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(138,959)</u>	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 39,761,245</u>	<u>\$ 563,632</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 39,601,880	\$ 572,096
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(8,464)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 39,601,880	\$ 563,632

E. Cash and Cash Equivalents and Investments

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

F. Interfund Transactions (Cont'd)

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

K. Capital Assets (Cont'd)

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2016.

N. Compensated Absences

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

N. Compensated Absences (Cont'd)

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$2,528,686 General Fund fund balance at June 30, 2016, \$345,991 is assigned for encumbrances; \$1,119,539 is restricted in the capital reserve account; \$150,000 is assigned and designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; and there is \$913,156 in unassigned fund balance.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has no excess surplus at June 30, 2016.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$138,959 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources due to the deferred amount on the refunding, changes in assumptions in pensions, changes in proportion in pensions, and the difference between expected and actual experience in pensions at June 30, 2016. The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Q. Net Position (Cont'd)

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

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

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

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

R. Deficit Net Position:

The District has a \$7,832,922 deficit in its governmental activities Unrestricted Net Position at June 30, 2016 primarily as a result of the investment gains in pensions of \$157,798, changes in pension assumptions of \$4,618, accumulated compensated absences payable of \$1,042,511, and net pension liability of \$9,814,506, offset by changes in assumptions in pensions of \$1,054,000, changes in proportion in pensions of \$489,224, differences between expected and actual experience in pensions of \$234,140, and the unassigned and assigned General Fund fund balances of \$1,409,147. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and for subsequent year's expenditures in the General Fund at June 30, 2016.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

Note 3. Cash and Cash Equivalents and Investments

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

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

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

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

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

Deposits

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Deposits (Cont'd)

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

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

Investments

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

As of June 30, 2016, cash and cash equivalents and investments of the District consisted of the following:

<u>Accounts</u>	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Checking Accounts	\$ 1,611,377	\$ 1,125,014		\$ 2,736,391
Certificates of Deposit			\$ 100,303	100,303
	<u>\$ 1,611,377</u>	<u>\$ 1,125,014</u>	<u>\$ 100,303</u>	<u>\$ 2,836,694</u>

During the period ending June 30, 2016, the District did not hold any investments other than certificates of deposits. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2016 was \$2,836,694 and the bank balance was \$3,378,228.

Note 4. Capital Reserve Account

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 677,206
Interest Earned	156
Increase per Board Resolution June 25, 2016	<u>442,177</u>
Ending balance, June 30, 2016	<u>\$ 1,119,539</u>

The balance in the capital reserve account at June 30, 2016 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 5. Capital Assets

Capital assets balances and activity for the year ended June 30, 2016 were as follows:

<u>Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Total Ending Balance</u>
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	<u>45,810</u>			<u>45,810</u>
Assets Being Depreciated:				
Buildings and Building Improvements	60,924,506			60,924,506
Machinery and Equipment	5,149,161	\$ 444,988	\$ (4,569)	5,589,580
Total Assets Being Depreciated	<u>66,073,667</u>	<u>444,988</u>	<u>(4,569)</u>	<u>66,514,086</u>
Governmental Activities Capital Assets	<u>66,119,477</u>	<u>444,988</u>	<u>(4,569)</u>	<u>66,559,896</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(19,500,106)	(1,149,811)		(20,649,917)
Machinery and Equipment	(4,352,453)	(206,329)		(4,558,782)
Total Accumulated Depreciation	<u>(23,852,559)</u>	<u>(1,356,140)</u>		<u>(25,208,699)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,266,918</u>	<u>\$ (911,152)</u>	<u>\$ (4,569)</u>	<u>\$41,351,197</u>
Business-Type Activities:				
Machinery and Equipment	\$ 388,942	\$ 18,600		\$ 407,542
Less: Accumulated Depreciation	<u>(323,155)</u>	<u>(13,995)</u>		<u>(337,150)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 65,787</u>	<u>\$ 4,605</u>	<u>\$ -0-</u>	<u>\$ 70,392</u>

Depreciation expense was charged to governmental functions as follows:

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

Note 6. Transfers to Capital Outlay

During the year ended June 30, 2016, the District made transfers to capital outlay accounts of \$77,118 for the acquisition of equipment. Transfers to equipment accounts do not require approval of the County Superintendent.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 7. Long-Term Liabilities

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2015	Issued/ Accrued	Retired	Balance June 30, 2016	Amounts Due Within One Year
Serial Bonds Payable	\$ 21,115,000		\$ 1,380,000	\$ 19,735,000	\$ 1,375,000
Net Pension Liability	7,609,140	\$ 2,205,366		9,814,506	
Compensated Absences	648,017	423,568	29,074	1,042,511	
Capital Leases		273,737		273,737	56,128
Total	<u>\$ 29,372,157</u>	<u>\$ 2,902,671</u>	<u>\$ 1,409,074</u>	<u>\$ 30,865,754</u>	<u>\$ 1,431,128</u>

A. Bonds Payable

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

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

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

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

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

On February 10, 2015, the District issued refunding school bonds of \$11,230,000 with interest rates ranging from 2.00% to 5.00% to advance refund \$12,454,000 school bonds with interest rates ranging from 4.00% to 4.25%. The bonds mature on February 1, 2019 through 2033 and February 1, 2026 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on February 1, 2026. The

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

A. Bonds Payable (Cont'd)

advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District will realize a total of \$1,070,140 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$828,747, or 2.75% of the bonds refunded.

The District had serial bonds outstanding as of June 30, 2016 as follows:

<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2016</u>
11/16/2005	4.00%	10/1/2017	\$ 1,035,000
9/14/2010	3.00-4.00%	10/1/2023	7,470,000
2/10/2015	2.00-5.00%	2/1/2033	11,230,000
			<u>\$ 19,735,000</u>

Debt service requirements on serial bonds payable at June 30, 2016 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,375,000	\$ 811,881	\$ 2,186,881
2018	1,410,000	756,181	2,166,181
2019	955,000	709,181	1,664,181
2020	995,000	670,580	1,665,580
2021	985,000	631,481	1,616,481
2022-2026	4,960,000	2,689,565	7,649,565
2027-2031	6,290,000	1,557,200	7,847,200
2032-2033	2,765,000	197,601	2,962,601
	<u>\$ 19,735,000</u>	<u>\$ 8,023,670</u>	<u>\$ 27,758,670</u>

B. Bonds Authorized but not Issued

As of June 30, 2016, the Board has no bonds authorized but not issued.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

C. Capital Leases Payable

The District is leasing school buses under a capital lease. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments as of June 30, 2016 is as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 57,122
2018	57,122
2019	57,122
2020	57,121
2021	57,121
	<u>285,608</u>
Less: Amount representing interest	(11,871)
Present value of net minimum lease payments	<u>\$ 273,737</u>

The current portion of capital leases payable at June 30, 2016 is \$56,128 and the long-term portion is \$217,609.

Capital leases will be liquidated by the General Fund.

D. Compensated Absences Payable

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The long-term liability balance of compensated absences is \$1,042,511 and the expected short term liability is \$-0- for Governmental Activities.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund or Enrichment Fund.

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

E. Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long term portion is \$9,814,506. See Note 8 for further information on the PERS.

Note 8. Pension Plans

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$375,884 for fiscal year 2016.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the District reported a liability of \$9,814,506 for its proportionate share of the 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 July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.044%, which was an increase of 0.003% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$746,440. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 210,088	
Changes in Assumptions - 2015	5.72	843,912	
Changes in Proportion - 2014	6.44		\$ 4,618
Changes in Proportion - 2015	5.72	489,224	
Difference Between Expected and Actual Experience - 2015	5.72	234,140	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5.0		365,871
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5.0	208,073	
		<u>\$ 1,985,437</u>	<u>\$ 370,489</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Fiscal Year Ending June 30,	Total
2016	\$ 205,779
2017	205,779
2018	205,779
2019	327,736
2020	185,269
	\$ 1,130,342

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:

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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

Note 8. Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan 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 PERS' 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 U.S. 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. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 12,198,230	\$ 9,814,506	\$ 7,816,009

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$1,279,834 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,070,803.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$99,425,184. 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 July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.157%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		99,425,184
Total	\$	99,425,184

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$6,070,803 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5.0		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5.0		(770,568,242)
		\$ 7,521,378,257	\$ 554,399,005

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

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 rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan 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 PERS' 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>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	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%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8. Pension Plans (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total Net Pension Liability	\$ 118,163,114	\$ 99,425,184	\$ 83,281,335

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$12,827 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$23,517 for the fiscal year ended June 30, 2016.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 9. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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 Pension and Benefits issues a publically 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/financial2015combined.pdf>.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,523,928, \$1,350,112 and \$1,094,116 for 2016, 2015 and 2014, respectively.

Note 10. Deferred Compensation

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

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

Note 11. Risk Management

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 11. Risk Management (Cont'd)

Property and Liability Insurance:

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

New Jersey Unemployment Compensation Insurance:

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the 'Benefit Reimbursement Method.

Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

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

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 57,570	\$ 280	\$ 66,318	\$ 140,712
2014-2015	60,893	272	46,160	149,180
2013-2014	57,347	271	54,232	134,175

Property, Liability and Health Benefits

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 11. Risk Management (Cont'd)

The June 30, 2016 audit report is not available as of the date of this report. Selected summarized financial information for the Pooled Insurance Program of New Jersey as of June 30, 2015 is as follows:

<u>Year Ended</u> <u>June 30, 2015</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	\$ 21,712,514
Net Position	\$ 6,703,267
Total Revenue	\$ 7,287,919
Total Expenses and Adjustments	\$ 6,088,877
Change in Net Position	\$ (75,658)
Members Dividends	\$ 1,274,700

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

Pooled Insurance Program of New Jersey

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

Note 12. Tax Calendar

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

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

Note 13. Contingent Liabilities

Grant Programs

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 13. Contingent Liabilities (Cont'd)

Litigation

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

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2016, if any, is unknown.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 345,991	\$ 8,880	\$ 354,871

On the District's Governmental Fund Balance Sheet as of June 30, 2014, \$- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$8,880 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

Note 14. Economic Dependency

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

Note 15. Interfund Receivables and Payables:

The District had the following interfunds payables or receivables as of June 30, 2016.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 28,223	\$ 15,242
Special Revenue Fund		16,075
Enterprise Fund - Food Service	15,242	
Payroll Agency Fund		12,148
	\$ 43,465	\$ 43,465

The interfund activity between the Payroll Agency Fund and the General Fund is due to excess funds transferred to cover payroll expenses. The interfund due from the General Fund to the Enterprise Fund is due to a refund collected in the General Fund and not turned over by year end. The interfund activity between the General Fund and the Special Revenue Fund is due to the timing of the collection of Federal grant receipts.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 16. Operating Lease Payable

The District has commitments to lease copiers under operating leases which expire in 2020. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 60,804
June 30, 2018	60,804
June 30, 2019	60,804
June 30, 2020	60,804
June 30, 2021	<u>35,611</u>
Total future minimum lease payments	<u><u>\$278,827</u></u>

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

KINNELON BOARD OF EDUCATION - SPECIAL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0406411768%	0.0437210765%
District's proportionate share of the net pension liability	\$ 7,609,140	\$ 9,814,506
District's covered employee payroll	\$ 3,155,047	\$ 3,306,119
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	241.17%	296.86%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION - SPECIAL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 327,943	\$ 375,884
Contributions in relation to the contractually required contribution	<u>(327,943)</u>	<u>(375,884)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,155,047	\$ 3,306,119
Contributions as a percentage of covered employee payroll	10.39%	11.37%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION - SPECIAL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.1627893584%	0.1573077317%
State's proportionate share of the net pension liability attributable to the District	\$ 84,305,810	\$ 99,425,204
District's covered employee payroll	\$ 16,525,825	\$ 16,880,904
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	510.15%	588.98%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 33,389,621		\$ 33,389,621	\$ 33,389,621	
Tuition - Other LEAs	101,400		101,400	95,199	\$ (6,201)
Miscellaneous	200,500		200,500	208,847	8,347
Total - Local Sources	<u>33,691,521</u>		<u>33,691,521</u>	<u>33,693,667</u>	<u>2,146</u>
State Sources:					
Transportation Aid	193,798		193,798	193,798	
Special Education Aid	1,080,571		1,080,571	1,080,571	
Security Aid	165,159		165,159	165,159	
PARCC Readiness Aid	20,185		20,185	20,185	
Per Pupil Growth Aid	20,185		20,185	20,185	
Extraordinary Aid	209,374		209,374	543,847	334,473
Additional Nonpublic School Transportation Aid				11,658	11,658
On-Behalf TPAF Pension Payments (Non-Budgeted)				1,279,834	1,279,834
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,523,928	1,523,928
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,225,195	1,225,195
Total State Sources	<u>1,689,272</u>		<u>1,689,272</u>	<u>6,064,360</u>	<u>4,375,088</u>
TOTAL REVENUES	<u>35,380,793</u>		<u>35,380,793</u>	<u>39,758,027</u>	<u>4,377,234</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 281,073	\$ 15,310	\$ 296,383	\$ 296,364	\$ 19
Grades 1-5 - Salaries of Teachers	3,248,897	54,514	3,303,411	3,302,960	451
Grades 6-8 - Salaries of Teachers	2,888,485	31,195	2,919,680	2,917,337	2,343
Grades 9-12 - Salaries of Teachers	3,976,371	100,855	4,077,226	4,076,849	377
Regular Programs - Home Instruction:					
Salaries of Teachers	47,000	3,766	50,766	50,765	1
Purchased Professional - Educational Services	10,000	(557)	9,443	6,590	2,853
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	17,000	(10,000)	7,000	2,219	4,781
Purchased Professional - Educational Services	157,140	(43,500)	113,640	100,834	12,806
Other Purchased Services	244,553	11,932	256,485	234,290	22,195
General Supplies	680,213	46,518	726,731	637,949	88,782
Textbooks	73,614	(3,463)	70,151	66,356	3,795
Other Objects	600		600	382	218
Total Regular Programs - Instruction	<u>11,624,946</u>	<u>206,570</u>	<u>11,831,516</u>	<u>11,692,895</u>	<u>138,621</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 183,390	\$ 29,398	\$ 212,788	\$ 212,727	\$ 61
Other Salaries for Instruction	86,794	(10,166)	76,628	76,622	6
General Supplies	3,170	203	3,373	3,235	138
Total Learning and/or Language Disabilities	273,354	19,435	292,789	292,584	205
Auditory Impairments:					
Salaries of Teachers	64,355	(4,700)	59,655	58,675	980
Total Auditory Impairments	64,355	(4,700)	59,655	58,675	980
Multiple Disabilities:					
Salaries of Teachers	170,432	(16,191)	154,241	154,241	
Other Salaries for Instruction	58,528	12,354	70,882	70,563	319
General Supplies	1,452	(193)	1,259	1,259	
Total Multiple Disabilities	230,412	(4,030)	226,382	226,063	319
Resource Room/Resource Center:					
Salaries of Teachers	1,808,547	64,906	1,873,453	1,872,793	660
Other Salaries for Instruction	252,170	108,282	360,452	360,451	1
General Supplies	12,263	6,236	18,499	18,499	
Total Resource Room/Resource Center	2,072,980	179,424	2,252,404	2,251,743	661
Autistic:					
Salaries of Teachers	127,010	(722)	126,288	126,068	220
Other Salaries for Instruction	48,763	50,704	99,467	99,403	64
General Supplies	6,908	(3,700)	3,208	3,208	
Total Autistic	182,681	46,282	228,963	228,679	284
Preschool Disabilities - Part-time:					
Salaries of Teachers	61,055	23,412	84,467	84,016	451
Other Salaries for Instruction	35,642	8,862	44,504	44,503	1
General Supplies	1,500	2,505	4,005	4,005	
Total Preschool Disabilities - Part-time	98,197	34,779	132,976	132,524	452
Total Special Education Instruction	2,921,979	271,190	3,193,169	3,190,268	2,901

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 419,975	\$ (68,520)	\$ 351,455	\$ 350,048	\$ 1,407
General Supplies	2,828	(1,170)	1,658	1,242	416
Total Basic Skills/Remedial - Instruction	<u>422,803</u>	<u>(69,690)</u>	<u>353,113</u>	<u>351,290</u>	<u>1,823</u>
Bilingual Education - Instruction:					
Salaries of Teachers	38,164	93	38,257	38,256	1
General Supplies	750	(511)	239	229	10
Total Bilingual Education - Instruction	<u>38,914</u>	<u>(418)</u>	<u>38,496</u>	<u>38,485</u>	<u>11</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	214,896	20,600	235,496	232,527	2,969
Supplies and Materials	9,000	(1,192)	7,808	3,756	4,052
Other Objects	3,455	25,333	28,788	22,095	6,693
Total School-Sponsored Cocurricular Activities - Instruction	<u>227,351</u>	<u>44,741</u>	<u>272,092</u>	<u>258,378</u>	<u>13,714</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	472,881	3,488	476,369	472,876	3,493
Purchased Services	134,116	(11,799)	122,317	120,204	2,113
Supplies and Materials	92,438	(1,105)	91,333	84,417	6,916
Other Objects	50,390	(13,710)	36,680	16,496	20,184
Total School-Sponsored Cocurricular Athletics - Instruction	<u>749,825</u>	<u>(23,126)</u>	<u>726,699</u>	<u>693,993</u>	<u>32,706</u>
Total Instruction	<u>15,985,818</u>	<u>429,267</u>	<u>16,415,085</u>	<u>16,225,309</u>	<u>189,776</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 418,855	\$ (287,809)	\$ 131,046	\$ 131,046	
Tuition to County Vocational School District - Regular	127,400	28,975	156,375	156,375	
Tuition to County Vocational School District - Special	54,000	(52,212)	1,788	1,617	\$ 171
Tuition to Private Schools for the Handicapped - Within State	685,552	192,445	877,997	877,637	360
Tuition State Facilities	32,306		32,306	32,306	
Total Undistributed Expenditures - Instruction:	<u>1,318,113</u>	<u>(118,601)</u>	<u>1,199,512</u>	<u>1,198,981</u>	<u>531</u>
Attendance & Social Work:					
Salaries	14,215	(1,279)	12,936	12,936	
Total Attendance & Social Work	<u>14,215</u>	<u>(1,279)</u>	<u>12,936</u>	<u>12,936</u>	
Health Services:					
Salaries	449,610	10,237	459,847	453,057	6,790
Purchased Professional and Technical Services	24,000	7,042	31,042	31,042	
Supplies and Materials	10,659	(887)	9,772	9,325	447
Total Health Services	<u>484,269</u>	<u>16,392</u>	<u>500,661</u>	<u>493,424</u>	<u>7,237</u>
Other Support Services - Students Speech OT, PT and Related Services:					
Salaries	460,100	(12,264)	447,836	446,896	940
Purchased Professional Educational Services	14,945	13,720	28,665	28,665	
Supplies and Materials	5,499	438	5,937	5,937	
Total Other Support Services - Students Speech OT, PT and Related Services	<u>480,544</u>	<u>1,894</u>	<u>482,438</u>	<u>481,498</u>	<u>940</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	590,873	(178,075)	412,798	411,251	1,547
Purchased Professional - Educational Services	225,833	11,278	237,111	236,761	350
Total Other Support Services - Students - Extraordinary Services	<u>816,706</u>	<u>(166,797)</u>	<u>649,909</u>	<u>648,012</u>	<u>1,897</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 722,933	\$ 3,226	\$ 726,159	\$ 726,159	
Salaries of Secretarial and Clerical Assistants	108,480		108,480	108,480	
Other Purchased Professional and Technical Services	4,250	(3,624)	626	300	\$ 326
Supplies and Materials	18,837	1,500	20,337	19,246	1,091
Total Other Support Services - Students - Guidance	854,500	1,102	855,602	854,185	1,417
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	812,107	5,792	817,899	817,899	
Salaries of Secretarial and Clerical Assistants	85,370	2,800	88,170	88,115	55
Purchased Professional - Educational Services	35,000	(20,046)	14,954	14,303	651
Other Purchased Professional and Technical Services	14,875	7,475	22,350	21,675	675
Miscellaneous Purchased Services	16,364	(2,138)	14,226	13,535	691
Supplies and Materials	11,895	(1,656)	10,239	9,810	429
Other Objects	2,880	(1,037)	1,843	1,843	
Total Other Support Services - Students - Child Study Team	978,491	(8,810)	969,681	967,180	2,501
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	458,817	(117,800)	341,017	340,807	210
Salaries of Other Professional Staff	38,404	4,425	42,829	42,825	4
Purchased Professional - Educational Services	8,000	72,363	80,363	76,363	4,000
Other Purchased Services	3,825	(1,265)	2,560	2,250	310
Supplies and Materials	6,963	(1,780)	5,183	4,984	199
Other Objects	3,175	(400)	2,775	2,752	23
Total Improvement of Instructional Services	519,184	(44,457)	474,727	469,981	4,746

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media Services/School Library:					
Salaries	\$ 301,247	\$ 5,001	\$ 306,248	\$ 304,247	\$ 2,001
Salaries of Technology Coordinators	145,143	24,250	169,393	169,367	26
Supplies and Materials	52,677	(100)	52,577	48,820	3,757
Other Objects	27,400	(19,601)	7,799	2,800	4,999
Total Educational Media Services/School Library	<u>526,467</u>	<u>9,550</u>	<u>536,017</u>	<u>525,234</u>	<u>10,783</u>
Instructional Staff Training Services:					
Salaries of Other Professional Staff	8,000	(5,473)	2,527	1,794	733
Purchased Professional - Educational Services	31,000	18,330	49,330	17,210	32,120
Other Purchased Services	40,275	1,967	42,242	38,470	3,772
Supplies and Materials	4,000	(3,800)	200	167	33
Total Instructional Staff Training Services	<u>83,275</u>	<u>11,024</u>	<u>94,299</u>	<u>57,641</u>	<u>36,658</u>
Support Services - General Administration:					
Salaries	238,106		238,106	228,971	9,135
Legal Services	42,000	21,615	63,615	63,615	
Audit Fees	40,875	(3,375)	37,500	37,500	
Other Purchased Professional Services	6,500	2,000	8,500	8,079	421
Communications/Telephone	76,800	45,010	121,810	114,732	7,078
BOE Other Purchased Services	1,000	(625)	375	370	5
Purchased Services	22,792	(3,228)	19,564	18,670	894
General Supplies	5,400	(2,410)	2,990	2,964	26
Miscellaneous Expenditures	2,000	1,938	3,938	3,936	2
BOE Membership Dues and Fees	17,865	500	18,365	18,362	3
Total Support Services - General Administration	<u>453,338</u>	<u>61,425</u>	<u>514,763</u>	<u>497,199</u>	<u>17,564</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,038,570	\$ 121,525	\$ 1,160,095	\$ 1,160,095	
Salaries of Secretarial and Clerical Assistants	364,850	26,656	391,506	388,510	\$ 2,996
Purchased Professional and Technical Services	12,350		12,350	11,987	363
Other Purchased Services	68,690	(1,889)	66,801	60,984	5,817
Supplies and Materials	18,492	(2,538)	15,954	15,163	791
Other Objects	9,270	417	9,687	8,508	1,179
Total Support Services - School Administration	<u>1,512,222</u>	<u>144,171</u>	<u>1,656,393</u>	<u>1,645,247</u>	<u>11,146</u>
Central Services:					
Salaries	277,998	619	278,617	278,615	2
Purchased Professional Services	74,000	(7,226)	66,774	61,402	5,372
Purchased Technical Services	25,000	701	25,701	25,700	1
Miscellaneous Purchased Services	13,235	1,847	15,082	13,928	1,154
Supplies and Materials	7,500	1,625	9,125	9,082	43
Other Objects	5,813	(858)	4,955	1,486	3,469
Total Central Services	<u>403,546</u>	<u>(3,292)</u>	<u>400,254</u>	<u>390,213</u>	<u>10,041</u>
Administration Information Technology:					
Salaries	81,520		81,520	81,520	
Total Administration Information Technology	<u>81,520</u>		<u>81,520</u>	<u>81,520</u>	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Required Maintenance of School Facilities:					
Salaries	\$ 107,723	\$ (14,930)	\$ 92,793	\$ 91,355	\$ 1,438
Cleaning, Repair and Maintenance Services	125,338	98,727	224,065	220,507	3,558
General Supplies	17,300	(1,975)	15,325	14,606	719
Total Required Maintenance of School Facilities	<u>250,361</u>	<u>81,822</u>	<u>332,183</u>	<u>326,468</u>	<u>5,715</u>
Custodial Services:					
Salaries	1,152,627	(18,522)	1,134,105	1,125,897	8,208
Purchased Professional and Technical Services	34,950	11,235	46,185	43,956	2,229
Cleaning, Repair and Maintenance Services	89,200	(22,810)	66,390	65,249	1,141
Other Purchased Property Services	90,813	6,130	96,943	94,906	2,037
Insurance	195,000	22,528	217,528	217,528	
General Supplies	128,543	(5,296)	123,247	117,361	5,886
Energy (Electricity)	643,877	(226,558)	417,319	406,288	11,031
Energy (Natural Gas)	214,000	(44,000)	170,000	169,761	239
Energy (Gasoline)	40,000	(40,000)			
Other Objects		19,680	19,680	19,431	249
Interest - Energy Savings Improvement Program Bonds	18,405	(18,405)			
Total Custodial Services	<u>2,607,415</u>	<u>(316,018)</u>	<u>2,291,397</u>	<u>2,260,377</u>	<u>31,020</u>
Care and Upkeep of Grounds:					
Salaries	99,373	(8,000)	91,373	91,355	18
Cleaning, Repair & Maintenance Services	51,400	20,077	71,477	45,418	26,059
General Supplies	41,361	(3,000)	38,361	31,541	6,820
Total Care and Upkeep of Grounds	<u>192,134</u>	<u>9,077</u>	<u>201,211</u>	<u>168,314</u>	<u>32,897</u>
Security:					
General Supplies		8,383	8,383	4,240	4,143
Total Security		<u>8,383</u>	<u>8,383</u>	<u>4,240</u>	<u>4,143</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries Pupil Transportation Home and School Regular	\$ 406,807	\$ 34,985	\$ 441,792	\$ 428,781	\$ 13,011
Cleaning, Repair, & Maintenance Services	64,000	8,037	72,037	52,498	19,539
Lease Purchase Payments - School Buses	108,401	(22,611)	85,790	85,789	1
Contracted Services:					
Transportation Services - Between Home and School	800,076		800,076	796,948	3,128
Transportation Services - Between Home and School Other	112,690	(41,000)	71,690	46,601	25,089
Transportation Services - Special Education-ESC's & CTSA's	535,196	(40,365)	494,831	474,784	20,047
Transportation Services - Aid in Lieu-Nonpublic Students	94,000	(15,000)	79,000	64,878	14,122
Miscellaneous Purchased Services- Transportation	2,800		2,800	1,861	939
General Supplies	69,240	(33,000)	36,240	35,900	340
Other Objects	700		700	600	100
Total Student Transportation Services	<u>2,193,910</u>	<u>(108,954)</u>	<u>2,084,956</u>	<u>1,988,640</u>	<u>96,316</u>
Unallocated Benefits:					
Social Security Contributions	442,500	6,200	448,700	443,009	5,691
Other Retirement Contributions - PERS	369,500	19,255	388,755	384,257	4,498
Unemployment Compensation	7,000		7,000		7,000
Workmen's Compensation	176,195	(25,969)	150,226	150,226	
Health Benefits	4,467,935	(73,865)	4,394,070	4,393,431	639
Tuition Reimbursement	153,000	(2,000)	151,000	145,045	5,955
Other Employee Benefits	800	363	1,163	1,163	
Unused Sick Payment to Terminated/Retired Staff	76,388	(7,000)	69,388	64,993	4,395
Total Unallocated Benefits	<u>5,693,318</u>	<u>(83,016)</u>	<u>5,610,302</u>	<u>5,582,124</u>	<u>28,178</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 1,279,834	\$ (1,279,834)
On-Behalf TPAF Post Retirements Medical Benefits (Nonbudgeted)				1,523,928	(1,523,928)
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				1,225,195	(1,225,195)
Total On-Behalf Contributions				4,028,957	(4,028,957)
Total Personal Services - Employee Benefits	\$ 5,693,318	\$ (83,016)	\$ 5,610,302	9,611,081	(4,000,779)
Total Undistributed Expenses	19,463,528	(506,384)	18,957,144	22,682,371	(3,725,227)
TOTAL CURRENT EXPENSE	35,449,346	(77,117)	35,372,229	38,907,680	(3,535,451)
CAPITAL OUTLAY					
Equipment:					
Grades 6-8	6,000	(3,903)	2,097	2,097	
Grades 9-12	3,840	20,979	24,819		24,819
Undistributed Expenditures - Non-instructional Services	89,221	(4,567)	84,654	36,900	47,754
Undistributed Expenditures - Security	270,035	23,142	293,177	234,163	59,014
Undistributed Expenditures - Required Maintenance for School Facilities	47,754	41,467	89,221	89,221	
Total Equipment	416,850	77,118	493,968	362,381	131,587
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	58,083	(1)	58,082	58,082	
Total Facilities Acquisition and Construction Services	58,083	(1)	58,082	58,082	
Assets Acquired Under Capital Leases (non-budgeted):					
Student Transportation				273,737	(273,737)
Total Assets Acquired Under Capital Leases (non-budgeted)				273,737	(273,737)
TOTAL CAPITAL OUTLAY	474,933	77,117	552,050	694,200	(142,150)
TOTAL EXPENDITURES	35,924,279		35,924,279	39,601,880	(3,677,601)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(543,486)		(543,486)	156,147	699,633
Other Financing Sources/(Uses):					
Capital Leases (non-budgeted)				273,737	273,737
Total Other Financing Sources/(Uses)				273,737	273,737

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (543,486)		\$ (543,486)	\$ 429,884	\$ 973,370
Fund Balance, July 1	2,237,761		2,237,761	2,237,761	
Fund Balance, June 30	\$ 1,694,275	\$ -0-	\$ 1,694,275	\$ 2,667,645	\$ 973,370
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1,119,539	
Assigned:					
Year-end Encumbrances				345,991	
For Subsequent Year's Expenditures				150,000	
Unassigned				1,052,115	
				2,667,645	
Reconciliation to Governmental Funds Statements (GAAP):					
Final Two State Aid Payments not recognized on GAAP basis				(138,959)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,528,686	

Exhibit C-2

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 1,200	\$ 2,168	\$ 3,368	\$ 2,478	\$ (890)
Federal Sources	399,029	97,605	496,634	483,320	(13,314)
Local Sources		86,298	86,298	86,298	
Total Revenues	<u>400,229</u>	<u>186,071</u>	<u>586,300</u>	<u>572,096</u>	<u>(14,204)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	30,878	786	31,664	21,107	10,557
Tuition	322,805	85,573	408,378	408,378	
General Supplies	11,481	6,728	18,209	17,331	878
Textbooks	971		971	948	23
Other Objects		86,298	86,298	86,298	
Total Instruction	<u>366,135</u>	<u>179,385</u>	<u>545,520</u>	<u>534,062</u>	<u>11,458</u>
Support Services:					
Personal Services - Employee Benefit	3,373		3,373	3,373	
Purchased Professional Services	30,721	6,686	37,407	34,661	2,746
Total Support Services	<u>34,094</u>	<u>6,686</u>	<u>40,780</u>	<u>38,034</u>	<u>2,746</u>
Total Expenditures	<u>400,229</u>	<u>186,071</u>	<u>586,300</u>	<u>572,096</u>	<u>14,204</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 39,758,027	\$ 572,096
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(8,464)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	142,177	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(138,959)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 39,761,245	\$ 563,632
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 39,601,880	\$ 572,096
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(8,464)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 39,601,880	\$ 563,632

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2016, were submitted to the County office and were approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>No Child Left Behind</u>		<u>IDEA</u>	<u>IDEA</u>	<u>Non-Public</u>
	<u>Title IIA</u>	<u>Title I</u>	<u>Part B</u>	<u>Part B</u>	<u>Nursing</u>
			<u>Basic</u>	<u>Preschool</u>	
REVENUE:					
State Sources					\$ 1,530
Federal Sources	\$ 33,131	\$ 24,464	\$ 409,378	\$ 16,347	
Local Sources					
Total Revenue	<u>\$ 33,131</u>	<u>\$ 24,464</u>	<u>\$ 409,378</u>	<u>\$ 16,347</u>	<u>\$ 1,530</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers		\$ 8,133		\$ 12,974	
Tuition			\$ 408,378		
General Supplies		16,331	1,000		
Textbooks					
Other Miscellaneous					
Total Instruction		<u>24,464</u>	<u>409,378</u>	<u>12,974</u>	
Support Services:					
Personal Service - Employee Benefit				3,373	
Purchased Professional Services	\$ 33,131				\$ 1,530
Total Support Services	<u>33,131</u>			<u>3,373</u>	<u>1,530</u>
Total Expenditures	<u>\$ 33,131</u>	<u>\$ 24,464</u>	<u>\$ 409,378</u>	<u>\$ 16,347</u>	<u>\$ 1,530</u>

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Non-Public Textbook</u>	<u>Local Grants</u>	<u>Totals June 30, 2016</u>
REVENUE:			
State Sources	\$ 948		\$ 2,478
Federal Sources			483,320
Local Sources		\$ 86,298	86,298
Total Revenue	\$ 948	\$ 86,298	\$ 572,096
EXPENDITURES:			
Instruction:			
Salaries of Teachers			\$ 21,107
Tuition			408,378
General Supplies			17,331
Textbooks	\$ 948		948
Other Miscellaneous		\$ 86,298	86,298
Total Instruction	948	86,298	534,062
Support Services:			
Personal Service - Employee Benefit			3,373
Purchased Professional Services			34,661
Total Support Services			38,034
Total Expenditures	\$ 948	\$ 86,298	\$ 572,096

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

Exhibit G-1

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		
	Food Service	Enrichment Program	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 44,325	\$ 215,426	\$ 259,751
Accounts Receivable:			
Federal	4,343		4,343
State	292		292
Interfund Receivable	15,242		15,242
Inventories	10,618		10,618
Total Current Assets	74,820	215,426	290,246
Non-Current Assets:			
Capital Assets	407,542		407,542
Less: Accumulated Depreciation	(337,150)		(337,150)
Total Non-Current Assets	70,392		70,392
Total Assets	145,212	215,426	360,638
LIABILITIES:			
Current Liabilities:			
Prepaid Sales	12,192		12,192
Unearned Revenue	3,209		3,209
Total Current Liabilities	15,401		15,401
NET POSITION:			
Net Investment in Capital Assets	70,392		70,392
Unrestricted	59,419	215,426	274,845
Total Net Position	\$ 129,811	\$ 215,426	\$ 345,237

Exhibit G-2

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 243,341		\$ 243,341
Daily Sales - Non-Reimbursable Programs	259,089		259,089
Program Fees		\$ 300,105	300,105
Total Operating Revenue	502,430	300,105	802,535
Operating Expenses:			
Reimbursable Programs Cost of Sales	129,151		129,151
Non-Reimbursable Programs Cost of Sales	151,802		151,802
Salaries, Benefits & Payroll Taxes	229,739	187,196	416,935
Employee Benefits		11,799	11,799
Management Fee	16,111		16,111
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,584	33,952	35,536
Administrative Expenses	33,945	36,606	70,551
Total Operating Expenses	576,502	269,553	846,055
Operating Income/(Loss)	(74,072)	30,552	(43,520)
Non-Operating Income:			
Local Sources:			
Interest Income	1	438	439
State Sources:			
State School Lunch Program	3,654		3,654
Federal Sources:			
National School Lunch Program	54,014		54,014
Food Distribution Program	19,949		19,949
Total Non-Operating Income	77,618	438	78,056
Change in Net Position	3,546	30,990	34,536
Net Position - Beginning of Year	126,265	184,436	310,701
Net Position - End of Year	\$ 129,811	\$ 215,426	\$ 345,237

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,604	\$ 300,105	\$ 804,709
Payments to Employees	(256,110)	(187,196)	(443,306)
Payments for Benefits		(11,799)	(11,799)
Payments to Suppliers	(286,993)	(33,952)	(320,945)
Payments for Administrative Expenses		(36,606)	(36,606)
Net Cash Provided by/(Used for) Operating Activities	(38,499)	30,552	(7,947)
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(18,600)		(18,600)
Net Cash Used for Capital Financing Activities	(18,600)		(18,600)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	57,094		57,094
Net Cash Provided by Noncapital Financing Activities	57,094		57,094
Cash Flows from Investing Activities:			
Interest Earned	1	438	439
Net Cash Flows Provided by Investing Activities	1	438	439
Net Increase/(Decrease) in Cash and Cash Equivalents	(4)	30,990	30,986
Cash and Cash Equivalents, July 1	44,329	184,436	228,765
Cash and Cash Equivalents, June 30	\$ 44,325	\$ 215,426	\$ 259,751
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (74,072)	\$ 30,552	\$ (43,520)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	19,949		19,949
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Inventory	(2,985)		(2,985)
Increase/(Decrease) in Prepaid Sales	2,174		2,174
Increase/(Decrease) in Unearned Revenue	2,440		2,440
Net Cash Provided by Operating Activities	\$ (38,499)	\$ 30,552	\$ (7,947)

Investing and Financing Activities:

The District had \$769 in USDA donated commodities at June 30, 2015, received commodities valued at \$22,389 and used commodities valued at \$19,949 and had \$3,209 in commodities at June 30, 2016.

FIDUCIARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Agency		Totals
				Student Activity	Payroll	
<u>ASSETS:</u>						
Cash and Cash Equivalents	\$ 140,712	\$ 15,944	\$ 81,530	\$ 264,757	\$ 13,497	\$ 516,440
Investments			100,303			100,303
Total Assets	140,712	15,944	181,833	264,757	13,497	616,743
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings					1,349	1,349
Interfund Payable General Fund					12,148	12,148
Due to Student Groups				264,757		264,757
Total Liabilities				264,757	13,497	278,254
<u>NET POSITION:</u>						
Held in Trust for:						
Flexible Spending Claims		15,944				15,944
Unemployment Claims	140,712					140,712
Restricted for Scholarships			181,833			181,833
Total Net Position	\$ 140,712	\$ 15,944	\$ 181,833	\$ -0-	\$ -0-	\$ 338,489

Exhibit H-2

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 57,570	\$ 20,047		\$ 77,617
Donations			\$ 79,500	79,500
Total Contributions	57,570	20,047	79,500	157,117
Investment Earnings:				
Interest	280	16	255	551
Net Investment Earnings	280	16	255	551
Total Additions	57,850	20,063	79,755	157,668
DEDUCTIONS:				
Flexible Spending Claims		22,423		22,423
Unemployment Compensation Claims	66,318			66,318
Scholarships Awarded			42,250	42,250
Total Deductions	66,318	22,423	42,250	130,991
Change in Net Position	(8,468)	(2,360)	37,505	26,677
Net Position - Beginning of the Year	149,180	18,304	144,328	311,812
Net Position - End of the Year	\$ 140,712	\$ 15,944	\$ 181,833	\$ 338,489

Exhibit H-3

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 238,164	\$ 518,930	\$ 492,337	\$ 264,757
Total Assets	<u>\$ 238,164</u>	<u>\$ 518,930</u>	<u>\$ 492,337</u>	<u>\$ 264,757</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 238,164	\$ 518,930	\$ 492,337	\$ 264,757
Total Liabilities	<u>\$ 238,164</u>	<u>\$ 518,930</u>	<u>\$ 492,337</u>	<u>\$ 264,757</u>

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY BY SCHOOL

	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 14,250	\$ 22,043	\$ 15,836	\$ 20,457
Stony Brook School Activity Account	30,919	106,087	114,948	22,058
Pearl R. Miller Middle School Activity Account	48,928	95,548	95,908	48,568
Kinnelon High School Activity Account	106,783	180,196	172,937	114,042
Kinnelon High School Athletic Account	1,807	70,086	70,643	1,250
Kinnelon High School Sport Academy Camp Account	35,477	44,970	22,065	58,382
	<u>\$ 238,164</u>	<u>\$ 518,930</u>	<u>\$ 492,337</u>	<u>\$ 264,757</u>

Exhibit H-5

KINNELON BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalentts	\$ 15,371	\$ 24,896,665	\$ 24,898,539	\$ 13,497
Total Assets	<u>\$ 15,371</u>	<u>\$ 24,896,665</u>	<u>\$ 24,898,539</u>	<u>\$ 13,497</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 6,576	\$ 24,893,312	\$ 24,898,539	\$ 1,349
Interfund Payable General Fund	<u>8,795</u>	<u>3,353</u>	<u></u>	<u>12,148</u>
Total Liabilities	<u>\$ 15,371</u>	<u>\$ 24,896,665</u>	<u>\$ 24,898,539</u>	<u>\$ 13,497</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2015	Matured	Balance June 30, 2016
			Outstanding June 30, 2016						
			Date	Amount					
Refunding Bond of 1998 Issue	11/16/05	\$ 4,615,000	10/01/16	\$ 520,000	4.00%	\$ 1,560,000	\$ 525,000	\$ 1,035,000	
			10/01/17	515,000	4.00%				
Improvements to High School	12/27/06	6,325,000				15,000	15,000		
Improvements to High School	1/24/07	6,329,000				15,000	15,000		
Refunding Bond of 2002 Issue	09/14/10	9,980,000	10/1/16	855,000	4.00%	8,295,000	825,000	7,470,000	
			10/1/17	895,000	4.00%				
			10/1/18	940,000	4.00%				
			10/1/19	975,000	4.00%				
			10/1/20	970,000	4.00%				
			10/1/21	960,000	3.00%				
			10/1/22	945,000	3.125%				
			10/1/23	930,000	3.25%				
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	2/1/19	15,000	2.00%	11,230,000		11,230,000	
			2/1/20	10,000	2.00%				
			2/1/21	25,000	2.00%				
			2/1/22	25,000	2.00%				
			2/1/23	60,000	3.00%				
			2/1/24	115,000	3.00%				
			2/1/25	910,000	5.00%				
			2/1/26	1,015,000	5.00%				
			2/1/27	1,120,000	4.25%				
			2/1/28	1,215,000	5.00%				
			2/1/29	1,285,000	4.50%				
			2/1/30	1,325,000	4.50%				
			2/1/31	1,345,000	4.75%				
			2/1/32	1,370,000	4.75%				
			2/1/33	1,395,000	4.75%				
									<u>\$ 21,115,000</u>

Exhibit I-2

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Issued</u>	<u>Balance June 30, 2016</u>
2016 Bus Lease	1.98%	\$ 273,737	\$ 273,737	\$ 273,737
			<u>\$ 273,737</u>	<u>\$ 273,737</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,123,789		\$ 2,123,789	\$ 2,123,789	
State Sources:					
Debt Service Type II Aid	69,550		69,550	69,550	
Total Revenue	<u>2,193,339</u>		<u>2,193,339</u>	<u>2,193,339</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	813,339		813,339	813,339	
Redemption of Principal	1,380,000		1,380,000	1,380,000	
Total Regular Debt Service	<u>2,193,339</u>		<u>2,193,339</u>	<u>2,193,339</u>	
Total Expenditures	<u>2,193,339</u>		<u>2,193,339</u>	<u>2,193,339</u>	
Fund Balance, July 1	<u>-0-</u>	\$ -0-	<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in capital assets	\$ 6,300,840	\$13,665,081	\$17,877,438	\$18,555,613	\$18,157,140	\$18,680,587	\$19,148,508	\$19,254,575	\$21,151,918	\$20,326,091
Restricted	12,706,992	5,379,249	730,715	520,683	941,498	30,223	30,223	861,139	677,206	1,119,539
Unrestricted/(Deficit)	(58,683)	(508,473)	(796,530)	(846,449)		1,888,392	1,738,222	(6,363,054)	(8,118,400)	(7,832,922)
Total governmental activities net position	<u>\$18,949,149</u>	<u>\$18,535,857</u>	<u>\$17,811,623</u>	<u>\$18,229,847</u>	<u>\$19,098,638</u>	<u>\$20,599,202</u>	<u>\$20,916,953</u>	<u>\$13,752,660</u>	<u>\$13,710,724</u>	<u>\$13,612,708</u>
Business-type activities										
Net Investment in capital assets	\$ 137,047	\$ 129,984	\$ 135,895	\$ 119,332	\$ 108,116	\$ 107,321	\$ 93,777	\$ 79,782	\$ 65,787	\$ 70,392
Unrestricted	152,279	129,200	143,708	104,987	106,940	138,959	164,164	207,535	244,914	274,845
Total business-type activities net position	<u>\$ 289,326</u>	<u>\$ 259,184</u>	<u>\$ 279,603</u>	<u>\$ 224,319</u>	<u>\$ 215,056</u>	<u>\$ 246,280</u>	<u>\$ 257,941</u>	<u>\$ 287,317</u>	<u>\$ 310,701</u>	<u>\$ 345,237</u>
District-wide										
Net Investment in capital assets	\$ 6,437,887	\$13,795,065	\$18,013,333	\$18,674,945	\$18,265,256	\$18,787,908	\$19,242,285	\$19,334,357	\$21,217,705	\$20,396,483
Restricted	12,706,992	5,379,249	730,715	520,683	470,825	30,223	30,223	861,139	677,206	1,119,539
Unrestricted/(Deficit)	93,596	(379,273)	(652,822)	(741,462)	577,613	2,027,351	1,902,386	(6,155,519)	(7,873,486)	(7,558,077)
Total district net position	<u>\$19,238,475</u>	<u>\$18,795,041</u>	<u>\$18,091,226</u>	<u>\$18,454,166</u>	<u>\$19,313,694</u>	<u>\$20,845,482</u>	<u>\$21,174,894</u>	<u>\$14,039,977</u>	<u>\$14,021,425</u>	<u>\$13,957,945</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30.									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 15,007,235	\$ 15,912,755	\$ 15,335,444	\$ 16,655,387	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637	\$ 16,435,098	\$ 18,590,309	\$ 19,783,406
Special education	2,704,146	2,973,914	3,245,341	3,276,930	3,520,191	3,720,193	3,911,881	3,852,677	4,863,506	5,415,147
Other special education	351,709	377,798	468,724	361,522	286,979	283,982	395,358	488,137	712,248	659,958
Other instruction	1,045,515	1,110,211	1,270,013	1,355,196	1,129,720	1,170,137	1,246,967	1,096,947	1,461,012	1,672,943
Support Services:										
Tuition	1,243,291	1,140,654	1,120,189	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863	1,623,287	1,607,359
Student & instruction related services	4,169,442	4,697,772	4,885,481	5,219,338	4,496,137	4,888,666	5,244,472	5,511,218	6,644,710	7,058,106
General and business administrative services	724,721	856,882	831,006	97,604	676,984	102,026	603,063	559,512	610,548	676,806
School Administrative Services	2,059,884	2,045,940	2,086,520	2,134,377	2,126,715	581,074	2,295,163	2,263,211	2,418,495	2,783,629
Central Services	529,430	569,973	529,025	565,133	566,110	2,124,580	571,202	550,833	569,105	571,136
Administrative Technology Information	207,848	218,278	216,563	219,361	122,051	591,272	109,973	107,629	162,512	134,457
Plant operations and maintenance	3,322,587	3,630,573	3,617,395	3,519,895	3,356,498	3,298,665	3,803,463	3,766,137	3,997,483	3,744,103
Pupil transportation	2,196,806	2,175,475	2,193,848	1,711,237	2,031,790	1,918,266	1,922,290	1,954,847	2,113,636	2,002,699
Interest on long-term debt	949,586	1,455,369	1,365,241	1,278,267	973,545	1,121,860	1,055,853	979,029	864,449	769,935
Unallocated depreciation										
Capital Outlay	1,043,604	510,627	237,017	65,151	72,775	42,322	58,083	60,439	58,083	527,518
Total governmental activities expenses	<u>35,555,804</u>	<u>37,676,221</u>	<u>37,401,807</u>	<u>37,476,151</u>	<u>35,796,478</u>	<u>36,911,696</u>	<u>39,544,506</u>	<u>39,234,577</u>	<u>44,689,383</u>	<u>47,407,202</u>
Business-type activities:										
Food service	622,114	660,307	634,915	647,943	617,556	592,740	578,749	528,907	549,686	576,502
Enrichment Program	103,425	153,150	142,260	146,620	145,497	127,288	146,572	234,677	227,538	269,553
Total business-type activities expense	<u>725,539</u>	<u>813,457</u>	<u>777,175</u>	<u>794,563</u>	<u>763,053</u>	<u>720,028</u>	<u>725,321</u>	<u>763,584</u>	<u>777,224</u>	<u>846,055</u>
Total district expenses	<u>\$ 36,281,343</u>	<u>\$ 38,489,678</u>	<u>\$ 38,178,982</u>	<u>\$ 38,270,714</u>	<u>\$ 36,559,531</u>	<u>\$ 37,631,724</u>	<u>\$ 40,269,827</u>	<u>\$ 39,998,161</u>	<u>\$ 45,466,607</u>	<u>\$ 48,253,257</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -									\$ 95,199
Operating grants and contributions	\$ 5,822,548	\$ 6,196,237	\$ 5,104,268	\$ 5,729,384	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053	\$ 5,208,200	\$ 9,539,898	11,336,746
Total governmental activities program revenues	<u>5,822,548</u>	<u>6,196,237</u>	<u>5,104,268</u>	<u>5,729,384</u>	<u>3,745,734</u>	<u>4,804,944</u>	<u>5,672,053</u>	<u>5,208,200</u>	<u>9,539,898</u>	<u>11,431,945</u>
Business-type activities:										
Charges for services:										
Food service	618,672	591,315	575,501	558,484	537,947	531,592	458,163	446,576	439,512	502,430
Enrichment Program	118,720	146,269	167,388	118,514	159,806	136,362	194,639	274,399	288,389	300,105
Operating grants and contributions	34,678	44,786	54,263	62,010	58,399	83,173	84,037	71,737	72,344	77,617
Total business type activities program revenues	<u>772,070</u>	<u>782,370</u>	<u>797,152</u>	<u>739,008</u>	<u>756,152</u>	<u>751,127</u>	<u>736,839</u>	<u>792,712</u>	<u>800,245</u>	<u>880,152</u>
Total district program revenues	<u>\$ 6,594,618</u>	<u>\$ 6,978,607</u>	<u>\$ 5,901,420</u>	<u>\$ 6,468,392</u>	<u>\$ 4,501,886</u>	<u>\$ 5,556,071</u>	<u>\$ 6,408,892</u>	<u>\$ 6,000,912</u>	<u>\$ 10,340,143</u>	<u>\$ 12,312,097</u>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (29,733,256)	\$ (31,479,984)	\$ (32,297,539)	\$ (31,746,767)	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)	\$ (34,026,377)	\$ (35,149,485)	\$ (35,975,257)
Business-type activities	46,531	(31,087)	19,977	(55,555)	(6,901)	31,099	11,518	29,128	23,021	34,097
Total district-wide net expense	<u>\$ (29,686,725)</u>	<u>\$ (31,511,071)</u>	<u>\$ (32,277,562)</u>	<u>\$ (31,802,322)</u>	<u>\$ (32,057,645)</u>	<u>\$ (32,075,653)</u>	<u>\$ (33,860,935)</u>	<u>\$ (33,997,249)</u>	<u>\$ (35,126,464)</u>	<u>\$ (35,941,160)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 26,031,655	\$ 27,389,220	\$ 28,468,788	\$ 29,599,802	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023	\$ 32,102,343	\$ 32,480,021	\$ 33,389,621
Taxes levied for debt service	2,211,617	2,728,262	2,762,724	2,732,132	2,469,272	2,434,758	2,662,364	2,162,403	2,193,150	2,123,789
SDA Grant	566,121									
Federal and State Aid Not Restricted		85,846	81,256	81,135	68,862	68,759	68,656	68,553	193,264	69,550
Investment earnings	209,555									
Miscellaneous income	282,023	859,029	259,276	151,174	281,312	401,588	262,855	302,636	240,951	294,281
Transfers	6,388	4,335	1,261	748	106	228	134	183	163	
Total governmental activities	<u>29,307,359</u>	<u>31,066,692</u>	<u>31,573,305</u>	<u>32,564,991</u>	<u>32,919,535</u>	<u>33,607,316</u>	<u>34,310,032</u>	<u>34,636,118</u>	<u>35,107,549</u>	<u>35,877,241</u>
Business-type activities:										
Miscellaneous income	7,633	5,280	1,703	1,019	144	353	277	431	526	439
Transfers	(6,388)	(4,335)	(1,261)	(748)	(106)	(228)	(134)	(183)	(163)	
Special Item - Disposal of Capital Assets					(2,400)					
Total business-type activities	<u>1,245</u>	<u>945</u>	<u>442</u>	<u>271</u>	<u>(2,362)</u>	<u>125</u>	<u>143</u>	<u>248</u>	<u>363</u>	<u>439</u>
Total district-wide	<u>\$ 29,308,604</u>	<u>\$ 31,067,637</u>	<u>\$ 31,573,747</u>	<u>\$ 32,565,262</u>	<u>\$ 32,917,173</u>	<u>\$ 33,607,441</u>	<u>\$ 34,310,175</u>	<u>\$ 34,636,366</u>	<u>\$ 35,107,912</u>	<u>\$ 35,877,680</u>
Change in Net Position										
Governmental activities	\$ (425,897)	\$ (413,292)	\$ (724,234)	\$ 818,224	\$ 868,791	\$ 1,500,564	\$ 437,579	\$ 609,741	\$ (41,936)	\$ (98,016)
Business-type activities	47,776	(30,142)	20,419	(55,284)	(9,263)	31,224	11,661	29,376	23,384	34,536
Total district	<u>\$ (378,121)</u>	<u>\$ (443,434)</u>	<u>\$ (703,815)</u>	<u>\$ 762,940</u>	<u>\$ 859,528</u>	<u>\$ 1,531,788</u>	<u>\$ 449,240</u>	<u>\$ 639,117</u>	<u>\$ (18,552)</u>	<u>\$ (63,480)</u>

Source: School District Financial Reports

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 314,397	\$ 145,754	\$ 137,882	\$ 165,652						
Unreserved	793,819	796,235	193,947	222,562						
Restricted					\$ 100	\$ 100	\$ 699,574	\$ 861,139	\$ 838,771	\$ 1,119,539
Assigned					187,417	1,195,155	559,278	1,015,955	381,921	345,991
Unassigned					684,073	818,010	787,974	729,668	874,892	1,063,156
Total general fund	<u>\$ 1,108,216</u>	<u>\$ 941,989</u>	<u>\$ 331,829</u>	<u>\$ 388,214</u>	<u>\$ 871,590</u>	<u>\$ 2,013,265</u>	<u>\$ 2,046,826</u>	<u>\$ 2,606,762</u>	<u>\$ 2,095,584</u>	<u>\$ 2,528,686</u>
All Other Governmental Funds										
Reserved	\$ 534,741	\$ 3,143,487	\$ 47,153	\$ 47,153						
Unreserved, reported in:										
Capital projects fund	11,857,954	2,090,008	545,680	307,878						
Debt service fund	2	1								
Restricted:										
Capital projects fund					\$ 30,220	\$ 30,220				
Debt service fund					248,513	3	\$ 30,223			
Assigned					4,575					
Total all other governmental funds	<u>\$ 12,392,697</u>	<u>\$ 5,233,496</u>	<u>\$ 592,833</u>	<u>\$ 355,031</u>	<u>\$ 283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30.									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 28,243,272	\$ 30,117,482	\$ 31,231,512	\$ 32,331,934	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387	\$ 34,264,746	\$ 34,673,171	\$ 35,513,410
Tuition charges	100,681	64,400	130,092	64,752	47,928	156,675	84,297	155,734	111,993	95,199
Interest earnings	210,600	673,137	52,235	11,546	1,685	4,653	5,406	6,464	6,236	6,018
Miscellaneous	183,464	121,592	78,775	74,876	231,699	240,260	173,786	152,904	207,760	288,263
State sources	5,928,512	5,800,572	4,631,973	4,822,198	3,335,157	4,325,529	5,245,522	4,820,383	5,507,282	6,140,022
Federal sources	456,990	481,411	551,724	988,321	479,439	548,174	494,553	443,904	454,861	475,304
Total revenue	35,123,519	37,258,594	36,676,311	38,293,627	36,665,163	38,412,032	39,981,951	39,844,135	40,961,303	42,518,216
Expenditures										
Instruction										
Regular Instruction	10,680,533	11,314,016	11,327,115	12,232,020	10,869,832	11,042,708	11,720,334	11,497,005	11,754,488	11,781,223
Special education instruction	1,855,713	2,082,524	2,476,642	2,470,204	2,628,229	2,733,414	2,819,184	2,809,534	3,190,740	3,257,194
Other special instruction	351,709	377,798	357,376	272,341	212,823	207,422	282,917	353,665	459,367	389,775
Other instruction	790,192	874,448	878,661	937,129	751,417	782,038	826,625	734,929	961,881	952,371
Support Services:										
Tuition	1,243,291	1,140,654	1,385,804	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863	1,623,288	1,607,359
Student & instruction related services	3,304,619	3,778,115	3,587,665	4,031,472	3,425,483	3,687,609	4,014,250	4,072,920	4,428,572	4,510,091
General administrative services	522,939	651,826	572,377	487,160	535,278	565,516	467,569	433,503	448,983	497,199
School Administrative services	1,414,294	1,412,476	1,506,464	1,525,664	1,502,618	1,543,675	1,578,497	1,569,588	1,517,683	1,645,247
Central Services	384,432	415,781	411,526	436,387	431,026	443,326	434,140	430,680	410,985	390,213
Administrative Information Technology	150,968	157,791	164,892	73,340	95,981	74,440	78,594	77,780	118,359	81,520
Plant operations and maintenance	2,478,372	2,758,317	3,040,542	2,927,873	2,783,023	2,744,340	3,167,677	3,140,976	3,003,338	2,759,399
Pupil transportation	2,122,058	2,116,683	2,172,107	1,869,729	1,870,801	1,838,348	1,831,095	1,870,391	1,870,297	1,988,640
Allocated Benefits	3,652,370									
Unallocated Benefits	3,329,300	7,424,342	6,517,573	7,104,604	7,143,643	7,681,270	8,494,168	8,294,708	8,689,244	9,611,081
Capital outlay	1,761,611	7,269,477	4,685,670	277,849	143,011	72,376	107,353	158,884	732,566	694,200
Debt service:										
Principal	1,330,000	1,385,000	1,505,000	1,535,000	1,570,000	1,670,000	1,715,000	1,310,000	1,355,000	1,380,000
Interest and other charges	923,326	1,429,109	1,338,981	1,278,267	973,545	1,082,027	1,016,020	951,179	907,853	813,339
Total expenditures	36,295,727	44,588,357	41,928,395	38,475,792	36,253,616	37,523,670	39,948,524	39,314,605	41,472,644	42,358,851
Excess (Deficiency) of revenues over (under) expenditures	(1,172,208)	(7,329,763)	(5,252,084)	(182,165)	411,547	888,362	33,427	529,530	(511,341)	159,365
Other Financing sources (uses)										
Bond Proceeds	12,654,000									
Capital Leases (Non-budgeted)										273,737
Serial Bonds Defeased									(12,454,000)	
Serial Bonds Issued									11,230,000	
Bond Issuance Costs									(129,833)	
Deferred Interest									(503,256)	
Bond Premium									1,857,089	
Transfers in	7,433	603,843	1,261	748	106	228	134	183	300,263	
Transfers out	(1,045)	(599,508)							(300,100)	
Total other financing sources (uses)	12,660,388	4,335	1,261	748	106	228	134	183	163	273,737
Net change in fund balances	\$ 11,488,180	\$ (7,325,428)	\$ (5,250,823)	\$ (181,417)	\$ 411,653	\$ 888,590	\$ 33,561	\$ 529,713	\$ (511,178)	\$ 433,102
Debt service as a percentage of noncapital expenditures	6.620%	8.156%	8.268%	7.951%	7.578%	7.931%	7.359%	6.129%	5.881%	5.557%

Source: School District Financial Reports

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2007	\$ 209,555	\$ 100,681		\$ 180,297	\$ 490,533
2008	73,629	64,400	\$ 60,581	60,911	259,521
2009	52,325	130,092	41,562	37,123	261,102
2010	11,546	64,752	39,157	35,719	151,174
2011	1,685	47,928	17,237	210,538	277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636
2015	6,236	111,993		122,722	240,951
2016	6,018	95,199		202,829	304,046

Source: Borough of Kinnelon School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$ 54,674,400	\$ 1,454,945,000	\$ 3,156,600	\$ 194,900	\$ 54,332,000	\$ 18,360,100	\$ 1,585,663,000	\$ 1,766,281	\$ 1,587,429,281	\$ 1.703	\$ 1,958,594,455
2007	44,023,500	1,512,760,000	3,156,600	65,700	62,329,400	18,360,100	1,640,695,300	1,662,978	1,616,634,578	1.778	2,171,671,798
2008	41,568,100	1,535,171,700	3,156,600	21,400	61,800,100	18,360,100	1,660,078,000	1,677,327	1,661,755,327	1.846	2,411,517,948
2009	37,640,800	1,545,303,500	4,018,300	22,800	59,597,300	18,360,100	1,664,942,800	1,793,165	1,666,735,965	1.907	2,464,348,279
2010*	32,726,300	1,533,542,400	4,018,300	18,900	59,597,300	18,360,100	1,648,263,300	1,806,607	1,650,069,907	1.967	2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.013	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.128	2,039,419,412
2014	24,433,700	1,498,703,100	3,907,700	38,500	54,096,400	18,500,700	1,599,680,100		1,599,680,100	2.155	2,036,364,102
2015	22,793,300	1,496,614,600	3,025,300	39,900	54,096,400	18,500,700	1,595,070,200		1,595,070,200	2.200	2,112,068,237

*-Revaluation Year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Exhibit J-7

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

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Kinnelon	Morris County	
2006	\$ 1.557	\$ 0.146	\$ 1.703	\$ 0.451	\$ 0.336	\$ 2.490
2007	1.628	0.150	1.778	0.466	0.356	2.600
2008	1.681	0.165	1.846	0.473	0.345	2.664
2009	1.746	0.161	1.907	0.485	0.336	2.728
2010*	1.810	0.157	1.967	0.511	0.329	2.807
2011	1.865	0.148	2.013	0.531	0.330	2.874
2012	1.919	0.163	2.082	0.555	0.330	2.967
2013	2.000	0.128	2.128	0.582	0.330	3.040
2014	2.019	0.136	2.155	0.589	0.325	3.069
2015	2.068	0.132	2.200	0.590	0.332	3.122

* - Revaluation year

Source: Municipal Tax Collector and School Business Administrator

Note:

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

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

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

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

Taxpayer	2015			Taxpayer	2006		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Multi-Family Housing	\$ 17,609,600	1	1.10%	Multi-Family Housing	\$ 17,609,600	1	1.11%
Commercial Property	10,000,000	2	0.63%	Commercial Property	12,644,800	2	1.02%
Commercial Property	9,750,000	3	0.61%	Commercial Property	9,750,000	3	0.80%
Commercial Property	4,000,800	4	0.25%	Commercial Property	5,875,000	4	0.61%
Vacant Land	3,365,100	5	0.21%	Vacant Land	5,146,100	5	0.31%
Commercial Property	2,777,700	6	0.17%	Vacant Land	5,023,100	6	0.26%
Residential Property	2,604,800	7	0.16%	Vacant Land	4,206,600	7	0.26%
Commercial Property	2,538,200	8	0.16%	Vacant Land	4,071,100	8	0.21%
Residential Property	2,493,000	9	0.16%	Vacant Land	3,319,700	9	0.20%
Commercial Property	2,312,700	10	0.14%	Commercial Property	2,968,300	10	0.19%
Total	\$ 57,451,900		3.58%		\$ 70,614,300		4.97%

Source: Municipal Tax Assessor

Exhibit J-9

KINNELON BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 28,243,272	\$ 28,243,272	100.00%	\$ -0-
2008	30,117,482	30,117,482	100.00%	-0-
2009	31,231,512	31,231,512	100.00%	-0-
2010	32,331,934	32,331,934	100.00%	-0-
2011	32,569,255	32,569,255	100.00%	-0-
2012	33,136,741	33,136,741	100.00%	-0-
2013	33,978,387	33,978,387	100.00%	-0-
2014	34,264,746	34,264,746	100.00%	-0-
2015	34,673,171	34,673,171	100.00%	-0-
2016	35,513,410	35,513,410	100.00%	-0-

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

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

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ 33,906,000	\$ -0-	\$ 476,841	\$ -0-	\$ -0-	\$ 34,382,841	5.44%	\$ 3,629
2008	32,521,000	-0-	361,132	-0-	-0-	32,882,132	4.96%	3,462
2009	31,016,000	-0-	110,617	-0-	-0-	31,126,617	4.54%	3,264
2010	29,481,000	-0-	267,600	-0-	-0-	29,748,600	4.57%	3,108
2011	28,389,000	-0-	162,229	-0-	-0-	28,551,229	4.05%	2,784
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.61%	2,598
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.23%	2,416
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	3.03%	2,277
2015	21,115,000	-0-	-0-	-0-	-0-	21,115,000	2.46%	2,034
2016	19,735,000	-0-	273,737	-0-	-0-	20,008,737	2.33%	1,925

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2007	\$ 33,906,000		\$ 33,906,000	2.136%	\$ 3,578
2008	32,521,000		32,521,000	2.012%	3,424
2009	31,016,000		31,016,000	1.866%	3,253
2010	29,481,000		29,481,000	1.769%	3,080
2011	28,389,000		28,389,000	1.720%	2,768
2012	26,719,000		26,719,000	1.638%	2,587
2013	25,004,000		25,004,000	1.552%	2,410
2014	23,694,000		23,694,000	1.478%	2,277
2015	21,115,000		21,115,000	1.320%	2,034
2016	19,735,000		19,735,000	1.237%	1,899

Source: School District Financial Reports

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

These ratios are calculated using information from the prior calendar year.

a See Exhibit J-6 for property tax data.

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

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 17,352,304	100.000%	\$ 17,352,304
Morris County General Obligation Debt	226,745,317	2.279%	<u>5,166,629</u>
Subtotal, overlapping debt			22,518,933
Kinnelon School District Direct Debt			<u>19,735,000</u>
Total direct and overlapping debt			<u><u>\$ 42,253,933</u></u>

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

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

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

Exhibit J-13

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

Equalized valuation basis

2015	\$ 2,109,323,195
2014	2,116,818,976
2013	2,039,419,412
	<u>\$ 6,265,561,583</u>

Average equalized valuation of taxable property \$ 2,088,520,528

Debt limit (4% of average equalization value)	83,540,821 ^a
Net bonded school debt	19,735,000
Legal debt margin	<u>\$ 63,805,821</u>

Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 85,751,577	\$ 92,420,076	\$ 96,825,364	\$ 97,299,500	\$ 95,707,525
Total net debt applicable to limit	<u>33,906,000</u>	<u>32,521,000</u>	<u>31,016,000</u>	<u>29,481,000</u>	<u>28,389,000</u>
Legal debt margin	<u>\$ 51,845,577</u>	<u>\$ 59,899,076</u>	<u>\$ 65,809,364</u>	<u>\$ 67,818,500</u>	<u>\$ 67,318,525</u>
Total net debt applicable to the limit as a percentage of debt limit	39.54%	35.19%	32.03%	30.30%	29.66%
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 92,418,520	\$ 88,571,000	\$ 84,927,221	\$ 83,648,814	83,540,821
Total net debt applicable to limit	<u>26,719,000</u>	<u>25,004,000</u>	<u>23,714,000</u>	<u>21,115,000</u>	<u>19,735,000</u>
Legal debt margin	<u>\$ 65,699,520</u>	<u>\$ 63,567,000</u>	<u>\$ 61,213,221</u>	<u>\$ 62,533,814</u>	<u>\$ 63,805,821</u>
Total net debt applicable to the limit as a percentage of debt limit	28.91%	28.23%	27.92%	25.24%	23.62%

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

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

Exhibit J-14

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

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Morris County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2006	9,475	\$ 632,579,425	\$ 66,763	2.20%
2007	9,497	663,298,971	69,843	2.00%
2008	9,535	685,919,295	71,937	2.70%
2009	9,572	650,589,696	67,968	4.70%
2010	10,256	704,135,936	68,656	4.70%
2011	10,327	742,655,878	71,914	4.60%
2012	10,375	776,319,750	74,826	4.80%
2013	10,405	780,936,870	75,054	4.80%
2014	10,381	859,650,610	82,810	4.20%
2015	10,392	860,561,520	82,810 **	4.20%

** - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

Source:

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

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

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

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

Exhibit J-15

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

Employer	2015		Employer	2006	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Kinnelon Board of Education	335	6.71%	Kinnelon Board of Education	375	18.97%
Stop & Shop	150	3.00%	Pathmark	175	8.85%
Borough of Kinnelon	100	2.00%	Borough of Kinnelon	100	5.06%
Smokerise Club	50	1.00%	Sleeptech	100	5.06%
Weichert Realtors	35	0.70%	Smokerise Club	50	2.53%
J.C. Christopher's	25	0.50%	Weichert Realtors	45	2.28%
Route 23 Car & Van Wash	20	0.40%	Kosco Harley-Davidson	35	1.77%
Rite Aid	17	0.34%	Our Lady-Magnificent RC Church	32	1.62%
Apple Montessori	15	0.30%	Butler Bowl	22	1.11%
Wayne Johnson & Sons	14	0.28%	Apple Montessori School	20	1.01%
	<u>761</u>	<u>15.24%</u>		<u>954</u>	<u>48.26%</u>

Source: Borough of Kinnelon

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

<u>Function/Program</u>	<u>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	147.90	146.84	153.31	146.80	138.00	141.80	138.30	137.30	134.00	126.00
Special education	37.00	53.80	59.29	52.54	50.10	50.90	51.40	51.40	55.50	75.00
Support Services:										
Student & instruction related services	37.80	39.83	40.83	43.80	41.90	43.40	43.40	43.90	46.00	42.70
School administrative services	16.50	16.50	16.50	16.00	12.50	12.50	12.50	12.50	14.50	15.50
General and business administrative services	3.00	2.80	3.80	3.80	3.90	3.90	3.90	3.90	4.00	6.00
Plant operations and maintenance	30.50	32.00	28.50	30.90	30.40	30.40	30.40	30.40	24.00	25.00
Business and other support services	7.80	10.80	14.85	5.10	4.60	4.60	4.60	4.60	2.00	2.00
Pupil transportation				10.00	8.00	8.00	8.00	8.00	11.50	10.00
Total	<u>280.50</u>	<u>302.57</u>	<u>317.08</u>	<u>308.94</u>	<u>289.40</u>	<u>295.50</u>	<u>292.50</u>	<u>292.00</u>	<u>291.50</u>	<u>302.20</u>

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School				
2007	2,205	\$ 31,828,678	\$ 14,466	171.90	1:13.2	1:13.1	1:10.9	1:11.1	2,200	2,119	1.946%	96.50%
2008	2,207	34,504,771	15,637	172.10	1:13.3	1:13.6	1:12	1:11.5	2,202	2,120	0.091%	96.28%
2009	2,230	34,398,744	15,439	178.27	1:12.9	1:13.3	1:12.54	1:11.65	2,228	2,133	1.181%	95.74%
2010	2,214	35,384,676	16,033	179.10	1:12.5	1:14.6	1:11.9	1:10.3	2,207	2,120	-0.943%	96.06%
2011	2,215	33,567,060	15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%
2013	2,143	36,721,070	17,346	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%
2015	2,019	38,477,225	19,152	189.50	1:12	1:14	1:11	1:12	2,009	1,930	-3.460%	96.07%
2016	1,992	39,471,312	20,211	201.00	1:12	1:14	1:11	1:12	1,953	1,888	-2.787%	96.67%

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
Kiel Elementary School (1995)										
Square Feet	49,563	43,563	43,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	354	366	331	333	388	377	340	310	315	308
Stony Brook Elementary (1957)										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	535	519	515	504	578	619	524	558	498	480
Pearl R. Miller Middle School (1968)										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	535	550	572	561	545	532	522	514	508	493
Kinnelon High School (1963)										
Square Feet	100,017	100,017	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	646	646	843	646	646	646	646	646	646	646
Enrollment	665	653	676	697	704	694	693	699	688	672
Glenn Sisco Elementary School (1923)										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	116	136	136	119	-0-	-0-	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2016

 Elementary = 2

 Middle School = 1

 High School = 1

Source: Borough of Kinnelon School District Facilities Office

Note: Year of original construction is shown in parentheses.

 Enrollment is based on the annual October district count.

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

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

Fiscal Year Ended June 30,	Kiel Elementary School	Stony Brook Elementary School	Glen L. Sisco Elementary School	Pearl R. Miller Middle School	Kinnelon High School	Maintenance	Total
2007	\$ 52,882	\$ 79,290	\$ 25,966	\$ 43,400	\$ 96,937	\$ 19,386	\$ 317,861
2008	75,025	51,678	21,526	62,426	125,936	19,623	356,214
2009	85,318	67,591	20,314	70,856	92,606	27,266	363,951
2010	33,699	54,552	17,445	50,196	130,940	25,541	312,373
2011	27,227	73,841	11,112	40,641	78,539	4,025	235,385
2012	37,618	67,957	4,999	41,510	127,168	3,955	283,207
2013	21,942	61,671	3,559	62,387	410,331	36,000	595,890
2014	54,035	56,236	22,210	87,810	199,659	33,259	453,209
2015	58,953	96,454	8,973	42,565	140,173	112,282	459,400
2016	51,865	87,220	11,890	51,730	83,993	39,770	326,468

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

Source: Borough of Kinnelon School District records

Exhibit J-20

KINNELON BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

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

Source: Kinnelon Borough School District records.

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

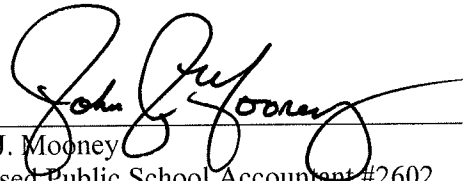
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

October 15, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP
NISIVOCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2016. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major state program 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District's internal control over compliance.


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

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

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

October 15, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP
NISIVOCCIA LLP


John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance (Accounts Receivable) 6/30/15	Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrance	Balance 6/30/16			Amounts Provided to Subrecipients
									Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Federal Food Distribution Program	10.555	N/A	7/1/14-6/30/15	\$ 18,145	\$ 769		\$ (769)					
Federal Food Distribution Program	10.555	N/A	7/1/15-6/30/16	22,389		\$ 22,389	(19,180)			\$ 3,209		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	50,829	(3,798)	3,798						
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	54,014		49,671	(54,014)		\$ (4,343)			
Total Child Nutrition Cluster					(3,029)	75,858	(73,963)		(4,343)	3,209		
Total U.S. Department of Agriculture					(3,029)	75,858	(73,963)		(4,343)	3,209		
U.S. Department of Education												
Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I	84.010A	NCLB-2460-16	7/1/15-6/30/16	35,022		21,160	(24,464)		(3,304)			
Title IIA	84.367A	NCLB-2460-16	7/1/15-6/30/16	35,877		9,095	(33,131)		(24,036)			
Title IIA	84.367A	NCLB-2460-15	7/1/14-6/30/15	36,287	(5,252)	5,252						
Title IIA	84.367A	NCLB-2460-14	7/1/13-6/30/14	36,154	1,433						\$ 1,433	
Title III	84.186A	NCLB-2460-11	9/1/12-8/31/13	4,124	1,051			\$ (1,051)				
Special Education Cluster:												
I.D.E.A. Preschool	84.173	FT-2460-16	7/1/15-6/30/16	16,347		16,347	(16,347)					
I.D.E.A. Part B, Basic	84.027	FT-2460-16	7/1/15-6/30/16	409,378		409,378	(409,378)					
Total Special Education Cluster						425,725	(425,725)					
Total U.S. Department of Education					(2,768)	461,232	(483,320)	(1,051)	(27,340)		1,433	
Total Federal Financial Awards					\$ (5,797)	\$ 537,090	\$ (557,283)	\$ (1,051)	\$ (31,683)	\$ 3,209	\$ 1,433	\$ -0-

N/A - Not Applicable

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ (Accounts Receivable) 06/30/15	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/16		MEMO	
								GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
General Fund:											
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 1,080,571	\$ (103,813)	\$ 103,813						\$ 1,080,571
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	1,080,571		979,108	\$ (1,080,571)			\$ 101,463		1,080,571
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	165,159	(15,867)	15,867						165,159
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	165,159		149,651	(165,159)			15,508		165,159
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	193,798	(18,619)	18,619						193,798
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	193,798		175,601	(193,798)			18,197		193,798
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	20,185	(1,939)	1,939						20,185
Per Pupil Growth	15-495-034-5120-097	7/1/14-6/30/15	20,185	(1,939)	1,939						20,185
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	20,185		18,289	(20,185)			1,896		20,185
Per Pupil Growth	16-495-034-5120-097	7/1/15-6/30/16	20,185		18,290	(20,185)			1,895		20,185
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	409,535	(409,535)	409,535						409,535
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	543,847			(543,847)		\$ (543,847)		543,847	543,847
Additional Non Public Transportation	15-495-034-5120-014	7/1/14-6/30/15	14,268	(14,268)	14,268						14,268
Additional Non Public Transportation	16-495-034-5120-014	7/1/15-6/30/16	11,658			(11,658)		(11,658)		11,658	11,658
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	1,211,833	(59,019)	59,019						1,211,833
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	1,225,195		1,225,195	(1,225,195)					1,225,195
Total General Fund				(624,999)	3,191,133	(3,260,598)		(555,505)		694,464	6,376,132
Debt Service Fund:											
Debt Service Aid State Support	16-495-034-5120-017	7/1/15-6/30/16	69,550		69,550	(69,550)					69,550
Total Debt Service Fund					69,550	(69,550)					69,550

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/16		MEMO	
				Unearned Revenue/ (Accounts Receivable) 06/30/15				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
Special Revenue Fund:											
Non Public Technology Initiative	15-100-034-5120-373	7/1/14-6/30/15	\$ 416		\$ 50				\$ 50		\$ 416
Non Public Technology Initiative	16-100-034-5120-373	7/1/15-6/30/16	442		442				442		442
Non Public Textbooks Aid	15-100-034-5120-064	7/1/14-6/30/15	774	\$ 70			\$ (70)				704
Non Public Textbooks Aid	16-100-034-5120-064	7/1/15-6/30/16	971		971	\$ (948)			23		948
Non Public Security Aid	16-100-034-5120-509	7/1/15-6/30/16	425		425				425		425
Non Public Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	1,530		1,530	(1,530)					1,530
Total Special Revenue Fund					3,418	(2,478)	(70)		940		4,465
Total NJ Department of Education				\$ (624,999)	3,264,101	(3,332,626)	(70)	\$ (555,505)	940	\$ 694,464	6,450,147
Food Service Fund:											
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	3,687	(263)	263						3,687
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	3,654		3,362	(3,654)		(292)		292	3,654
Total Food Service Fund				(263)	3,625	(3,654)		(292)		292	7,341
Total State Awards				\$ (625,262)	\$ 3,267,726	\$ (3,336,280)	\$ (70)	\$ (555,797)	\$ 940	\$ 694,756	\$ 6,581,049

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Kinnelon Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Relationship to Basic Financial Statements:

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$3,218 for the general fund and (\$8,464) for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post Retirement Medical contributions paid by the State on behalf of the District of \$1,279,834 and \$1,523,928, respectively.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 4: Relationship to Basic Financial Statements (Cont'd)

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,067,578	\$ 6,067,578
Special Revenue Fund	\$ 474,440	2,894	477,334
Debt Service Fund		69,550	69,550
Enterprise Fund	<u>73,963</u>	<u>3,654</u>	<u>77,617</u>
Total Financial Awards	<u>\$ 548,403</u>	<u>\$ 6,143,676</u>	<u>\$ 6,692,079</u>

Note 5: Relationship to Federal and State Financial Reports

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

Note 6: Other:

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. T.P.A.F. Social Security Contributions represent the amount reimbursed by the State for the employer's share of social security contributions for T.P.A.F. members for the fiscal year ended June 30, 2016.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.156(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following award:

	State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Reimbursed TPAF				
Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	\$ 1,225,195	\$ 1,225,195

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.