

KEARNY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Kearny, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Kearny Board of Education

Kearny, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION

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INTERIM BUSINESS ADMINISTRATOR/
BOARD SECRETARY

November 28, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Kearny School District for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 5,999 students, which is 81 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District over the past ten years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change Increase (Decrease)</u>
2016-17	5,999	(0.74%)
2015-16	5,918	(0.28%)
2014-15	5,901	(0.60%)
2013-14	5,937	0.99%
2012-13	5,879	(2.79%)
2011-12	6,048	3.74%
2010-11	5,830	1.50%
2009-10	5,744	(0.52%)
2008-09	5,774	3.48%
2007-08	5,580	2.5%
2006-07	5,442	1.13%

(2) ECONOMIC CONDITION AND OUTLOOK:

The Taxpayers' Guide to Education Spending for K-12 districts was released by the New Jersey Department of Education (DOE) in July of 2017. It was revealed that the Kearny School District's budgeted comparative spending for the 2016/17 school year was \$12,581 per pupil. Out of the 103 school districts with more than 3,500 students, Kearny ranked 14th (low cost to high cost) in budgeted 2016/17 per pupil spending. The budgeted New Jersey State average for 2016/2017 was \$15,144.

The District Factor Grouping (DFG) for Kearny is "B". This reflects the diminished socioeconomic indicator of the community-at-large. Every effort has been initiated by the District to effectuate maximum state aid for the 2016/17 school year. In addition to a host of entitlement grants, the District has also applied for and been approved to implement competitive State grants such as the School-Based Youth Services Program.

(3)

MAJOR INITIATIVES:

○ DISTRICT WIDE

- *The Genesis Parent Portal continues to be available to all parents providing access to their child's progress throughout the school year. Grading Criteria was examined and updated to reflect new programs and practices which will be implemented in the 2017-2018 school year.*
- *The district continued its curriculum rewriting and revision in conjunction with the Hudson County Curriculum Consortium. All district curricula is easily accessible to all administrators and teachers on the district's website. Curriculum writers collaborated as Professional Learning Communities during the school year and over the summer in order to ensure vertical and horizontal articulation as the curriculum documents were written and revised.*
- *The continuation of Professional Learning Communities was used in the development of school improvement initiatives and provided teachers the opportunity to collaborate within their subjects areas and across grade levels. In addition, PLC's provided the opportunity for both horizontal and vertical articulation among all district teachers.*
- *Professional development was continued for teachers in all grade levels related to District Technology resources such as iPads, educational software, mobile laptop labs, etc. Professional development was also provided related to technology programs offered in the district such as Achieve 3000, ST Math, Learning A-Z and Learning.com.*

○ ELEMENTARY & MIDDLE SCHOOL

- *Early Childhood Family After School Programs continued in all schools in an effort to assist parents in providing literacy and math skills and concepts for their children at home in order to support what occurs in the Early Childhood classroom.*
- *As the district continues its transition from a basal-based English Language Arts program to an improved Balanced Literacy Framework, select teacher in grades 3-5 participated in a second year of a pilot of the Making Meaning program published by the Center for the Collaborative Classroom. This comprehensive program utilizes the Reader's Workshop model and includes components for vocabulary, spelling and individualized daily reading. The district also continued to investigate additional programs as part of the transition process. The district implemented Making Meaning in grades one and two. Intensive professional development was provided to teachers that included Lesson Studies where teachers were able to see model lessons and debrief in small groups.*
- *The district engaged in a pilot of Being a Reader, Center for the Collaborative Classroom, in grades one and two. Being a Reader provides small group instruction in word work, fluency and comprehension. Students are placed in an appropriate set*

according to their reading level and results of a placement test. Being a Reader also provides guidance to teachers regarding activities that the rest of the class would engage in while the teacher conducts his/her small group instruction. The pilot consisted of 2 first grade and 2 second grade teachers. All first and second grade teachers were trained in the program and participated in a Lesson Study where they viewed a model lesson and debriefed with peers. Being a Reader will be implemented in grades one and two in the 2017-2018 school year.

- The district continued its implementation of the Orton Gillingham approach in grades K-2. The district continued to provide professional development in grades K-2 on the Multisensory Institute's Orton Gillingham methodology. A certified trainer visited with teachers, viewed lessons and provided feedback. The trainer also provided training to those teachers new to the district or program in those grade levels. This multi-sensory approach to the teaching of phonics ensures that the district's population of struggling readers would be appropriately assisted.*
- The district continued its efforts to expand classroom libraries in grades K-5. District coaches also worked with teachers to create libraries that were well-organized, appropriately leveled and themed, and inviting for students.*
- The Director of Curriculum & Instruction, the district Math & Science Supervisor, two middle school Science teachers and a few K-5 teachers joined as a selection committee that researched available K-5 Science programs aligned to the Next Generation Science Standards. The committee viewed presentations, reviewed sample materials, visited other districts and collaborated with MSU Wipro members from other districts. The district adopted the Knowing Science program for grades K-5 for the 2017-2018 school year. The district also implemented a K-5 curriculum writing team that worked during the school year and over the summer to develop NGSS aligned curriculum.*
- Through the district's partnership with Montclair State University's WIPRO Science Education Fellowship program, the district received grant monies in order to purchase STEM related literacy books for our grades K-5 classroom libraries.*
- The district Behaviorist continues to work with select Special Education aides to increase their knowledge of Applied Behavioral Analysis and Discrete Trail teaching techniques. The district continues its implementation of the ReThink program for many of our behavioral students as well as those that have been diagnosed with autism spectrum disorder. The ReThink program provides the aide with the tools needed to correctly implement techniques with students.*
- The district continues to provide selected Special Education aides with professional development in order to increase their knowledge of Applied Behavioral Analysis (ABA).*

- *The district implemented the RTiM Direct online program. RTiM Direct is a student information system that will document the I&RS process and ensure the necessary and proper steps are taken to intervene with at-risk students. Teachers and school counselors receive ongoing professional development.*
- *The district continued its implementation of the STAR (Skills to Achieve Reading) after school program district-wide in grades 3-6. The focus of the program was to provide students with multi-sensory Orton Gillingham instruction in order to improve reading skills. Students were assessed and grouped appropriately at the start of the program. At the conclusion of the program, district benchmark assessment data was compiled in order to analyze student growth and gains.*
- *The district also continued its summer SMART (Summer Math & Reading Toolkit) for students in grades 1-5. Students were grouped according to ability and provided remediation through the Orton Gillingham approach, Guided Reading Lessons and foundational Mathematics instruction. Students had the opportunity to meet an author/illustrator/artist (Dar Hosta) and engage in literacy/art activities. A visit from a traveling planetarium was also incorporated as the theme of the summer program was Space Exploration. Two parent nights were held. The first was an informational session for parents at the start of the program. The second evening occurred halfway through the program. Dar Hosta engaged parents and their children in literacy-based activities that incorporated art.*
- *The district implemented a Jump Start program over the summer for incoming grade 9 students that focused on remediating Algebra skills.*
- *The district implemented an ESL summer program for students in grades K-5. The program focused on assisting newcomers with improving their academic language proficiency in both ELA and Math.*
- *The district implemented a STEM program over the summer for middle school students. Students were selected based on need of remedial instruction in the area of Mathematics. Along with Mathematics remediation, students engaged in STEM-based activities as well as online resources such as ST Math and coding.*
- *Title I and ESL Parent Involvement nights were held throughout the school year for elementary, middle and high school parents where they were given the opportunity to become more involved and informed in the education of their children.*
- *The district continued its implementation of LLI (Leveled Literacy Intervention) program for identified Academic Support students in grades one and two. Teachers were provided with continued professional development.*
- *The Bilingual program was expanded to include Washington School in grades K-5. ESL services were also expanded to include Garfield School in grades K-5.*

- *The district developed grade level/subject area benchmarks in grades 6-8 in the areas of English Language Arts, Mathematics, Social Studies and Science and in grades 9-12 in all subjects/courses. The benchmarks were administered four times, at the end of each marking period, and were based on the material covered during each marking period. A pre-test was provided in grades 9-12 at the beginning of each marking period in order to measure growth. The district also engaged in a pilot of the LinkIt! platform. Grades 6–8 utilized the LinkIt! benchmarks as their end of year benchmark in English and Math. The district also uploaded the Science and Social Studies developed by the district onto the platform. In addition to those benchmarks, the district also utilized the platform to input Fountas and Pinnell scores in grades 1-5. The district provided training to teachers involved in the pilot in grades 6-8 as well as an information session for administration and teachers in grades 9-12. The district recognizes the value of a data warehouse for K-12 as well as ELA and Math benchmarks aligned to the PARCC assessment. LinkIt! provides instant data analysis and identifies areas of strength and weakness by standard. The district adopted LinkIt! and will implement the platform in the 2017-18 school year.*
- *A district-wide subscription of Scholastic News was again provided to grades 1-5 as well as Scholastic Storyworks for grades 3-5. The district also provides staff in grades K-5 with access to Learning A-Z.*
- *The district continued its implementation of Achieve 3000, an online reading program used to identify student reading levels and improve reading comprehension skills, for use in grades 3 through 9. Professional development was continued for staff. School-based goals were generated by building principals and central office staff for the 2017-18 school year that included improving student Lexile levels through increased usage of the program.*
- *Teachers in grades 1-5 continued their implementation of the Fountas & Pinnell Benchmark Assessment. Teachers in grades one and two continued to conduct assessments and record results on iPads. The district plans to provide teachers in grades 3-5 with an iPad to conduct assessments in the 2017-18 school year. Assessment results were compiled and analyzed to identify district trends as well as to inform instruction for individual students. District coaches continued to assist and provide guidance to individual teachers on how to properly administer the assessment. All special education, Bilingual/ESL and Academic Support staff were trained on how to administer the assessment so that they could assist in the process.*
- *Several assemblies were held for students that supported literacy, such as School House Rock Jr.*
- *Teachers attended a series of Literacy Workshops held at Kean University, Rutgers University and NJCU. Useful strategies and activities were shared with staff.*

- *Continued modification of district schedules took place in order to provide grade level and subject area teachers with common planning time and an uninterrupted ELA block of instruction. The district also developed a departmentalization schedule for grades 4 and 5 that will be implemented in the 2017-18 school year. Teachers in those grade levels will work in teams of two where one teacher will teach ELA and the other will teach Math and Science. Both teachers on the team will be responsible for teaching Social Studies.*
- *The continuation of World Language offerings for students in grade K-8 took place. Grade Six students were given the opportunity to survey all three languages offered over the course of the school year. Students were then able to select the language of their choice to study in grades 7-8.*
- *The district continued its implementation of the Ron Larson's Big Ideas Mathematics program in grades 6-8. The program is New Jersey Student Learning Standards aligned and engages students in higher order thinking. The program utilizes a research-based, balanced instructional approach that includes both discovery learning and direct instruction lessons.*
- *The district continued its implementation of the English Language Arts program Collections by Houghton Mifflin Harcourt in grades 6-8. The program is aligned to the New Jersey Student Learning Standards and meets the increased rigor of the new state standards by providing collections of topically linked, complex texts-including more informational texts and literary nonfiction. Students engage in critical analysis and practice writing to sources with tasks that require analysis, synthesis and evidence. Additional professional development was provided based on teacher feedback. Emphasis was placed on online teacher and student resources that are available in the program. As a result of teacher feedback and PLC's, The Holt Online Essay Scoring Program was added as an ELA component in grades 6-8.*
- *The district continued its implementation of the Mind Research ST Math program in grade 6. ST Math is a math software program that includes game puzzles that start off simply and get more challenging as a student progresses. The implementation of ST Math is part of the district's ongoing effort to infuse blended learning instruction. Teachers continued to receive professional development and students were encouraged to utilize the program over the summer. Incentives were offered and schools engaged in assemblies where students received certificates and other rewards for progress made and had the opportunity to meet Jiji the penguin, ST Math's mascot.*
- *The district continued its partnership with Montclair State University in the WIPRO Science Fellowship Program in order to develop the capacity of classroom teachers to design transformative and innovative, multimodal instructional experiences and active learning communities of practice-all as a means of enhancing the quality of instruction in the STEM disciplines. Teachers participating in the program are given the necessary support to have significant roles of leadership in facilitating innovative STEM*

instruction both within the classroom as well as school wide. The WIPRO fellows utilized their leadership and networking skills to establish activities, programs and partnerships such as: 4H; STEM Club; STEAM Club (including Robotics); Water Festival; Sustainable Learning Garden (in partnership with the Passaic Valley Sewerage Commission and Rutgers University); BASF grant utilized to enhance STEM instruction.

- *The district continued and expanded its involvement in the Montclair State University Network for Educational Renewal (MSUNER) program. Teachers were awarded over 30 individual and group grants where they were able to enhance their curriculum with projects and activities. The district hosted workshops on topics such as Critical Thinking.*
- *The district implemented Family Science Nights for grades one and two that were facilitated by the Meadowlands Environmental Center. The district also hosted the Meadowlands Environmental Center for grade 5 students where students explored Astronomy.*
- *Supervisors and teachers also attended multiple professional development opportunities offered by the NJDOE, Montclair State University, etc. to assist in the implementation of Next Generation Science Standards in grades K-12. The district also hosted a county workshop designed to inform teachers on the K-5 NGSS standards.*
- *Physical Education and Health staff previewed Health programs and selected The Great Body Shop for implementation in grades K-2 in the 2017-18 school year. The Great Body Shop is currently used in grades 3-8.*

- HIGH SCHOOL

- *Benchmark assessments continued to be refined and quarterly benchmarks were developed for implementation in the 2017-18 school year. Data continued to be used to inform instruction and identify areas of strength and weakness for individual student learning plans.*
- *Several new courses were developed to be implemented in the 2017-18 school year. These courses are: Modern Math, AP Latin and AP Italian.*
- *Continued articulation took place between the middle and high school Algebra teachers in order to better establish consistency in the Algebra I curriculum.*
- *The high school continued to implement the Edmentum Plato Courseware for credit recovery in English Language Arts, Mathematics, Social Studies and Science in grades 2-12.*

- ATHLETICS

- *The Kearny School District has sanctioned the much needed redevelopment of the track and turf field at Kearny High School. The track project began the last week of September and concluded the second week of October. Construction on the turf field is set to begin October 30th. The project forecast has it conclusion in three weeks. The overall project costs are \$550,000.*

- DISTRICT

- Wireless Project for District Mobile Devices

- *The installation of wireless access points has been completed at all elementary schools. The high school will be completed as the construction project moves ahead. Policies and guidelines will be modified to include the use of mobile devices and a BYOD initiative.*

- District Data Center

- *The District Data Center, located in the high school, continues to grow and provide centralized housing and control of much of the district's infrastructure and many of the district's servers. Secondary data center extensions have been developed to provide some redundancy and to allow for the continued growth of data services. These locations are in an IDF location in Lincoln School; and the MDF location in the Board of Education building. Backup generators still need to be added. E-rate funds have been approved to purchase new updated network equipment for the district including a new firewall, a data center core switch and high-speed switches and routers for the district network closets.*

- Middle School Faculty Laptops

- *A pilot program has been implemented for the faculty in Lincoln Middle School providing a laptop to each faculty member that can travel with them and also quickly connect to the school network and classroom Smartboard via a docking station located at the teacher's desk.*

- Google Classroom/G-Suite

- *A pilot program in the middle school and high school will be using the Google Classroom G-Suite software to enhance collaboration with the teacher and fellow students. The teachers involved in the program will provide feedback and assist with implementing the program to other teachers in their school. Students in the program will be able to use school-issued email accounts and a shared Google drive for easy access whether at home or school.*

- On-Line & Subscription Services Initiative
 - *The district will continue the use of on-line lesson plans with on-line class pages for each teacher. We are continuing to use the online Lesson Planner module in the Genesis Student Information System.*
 - *The district will continue with the Genesis Student Information System which provides a comprehensive set of student data reporting tools and educational tools as well as web access to all teachers, a grade book and a parent portal.*
 - *Online services include Interactive Achievement, FitnessGram, Edmentum, Think Central, Go Math!, Pearson SuccessNet Math, Achieve 3000, Naviance, Follette Library Services, Plato, and Rosetta Stone. Services will be added/removed as required.*
- Preparation for PARCC Testing
 - *Classrooms were optimized as hybrid classrooms and test centers to allow the use of test centers in each building. Selected classrooms received electrical wiring and data wiring for use during the PARCC testing sessions. When not used as test centers, the classrooms will function as regular classroom spaces. These classrooms will be used again for this year's PARCC testing. Extended use of Wifi will be used in certain areas to optimize testing centers.*
- New Website Implemented
 - *A new website template has been implemented that offers better visual and navigation. Other social media programs such as Twitter and Facebook will also be used as a resource to communicate with the community.*
- Genesis Parent Portal
 - *The Genesis Parent Portal continues to increase in use by students and parents. This has become a good resource for families to check attendance, grades and other information.*
- Kearny High School Noise Abatement & Renovation Project
 - *The renovation and construction work project funded through a joint effort of the Port Authority, the FAA, the Schools Development Authority and the Kearny Board of Education has begun and has an estimated completion date of September 2017.*

- Kearny High School Façade Project
 - The exterior façade project is complete.
- Midland Avenue Property
 - Property was purchased by the Board of Education for the renovation of classroom/central office space. Work is complete.

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

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

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

- (5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the

special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

- (6) ACCOUNTING SYSTEM AND REPORTS: *The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.*
- (7) DEBT ADMINISTRATION: *At June 30, 2017, the District's outstanding debt included \$8,580,000 of general obligation bonds to provide funds for capital improvements to the District's buildings and grounds. These improvements include ventilation upgrading, restoration of the High School, Garfield, Roosevelt, Schuyler and Washington Schools' building façades, restoration of District walkways and grounds, and various other projects.*
- (8) CASH MANAGEMENT: *The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.*
- (9) RISK MANAGEMENT:
The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, school board errors and omissions, boiler and machinery, and workers' compensation.
- (10) OTHER INFORMATION:
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended and the related Uniform Guidance and New Jersey OMB Circular Letter 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

(11) ACKNOWLEDGMENTS:

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

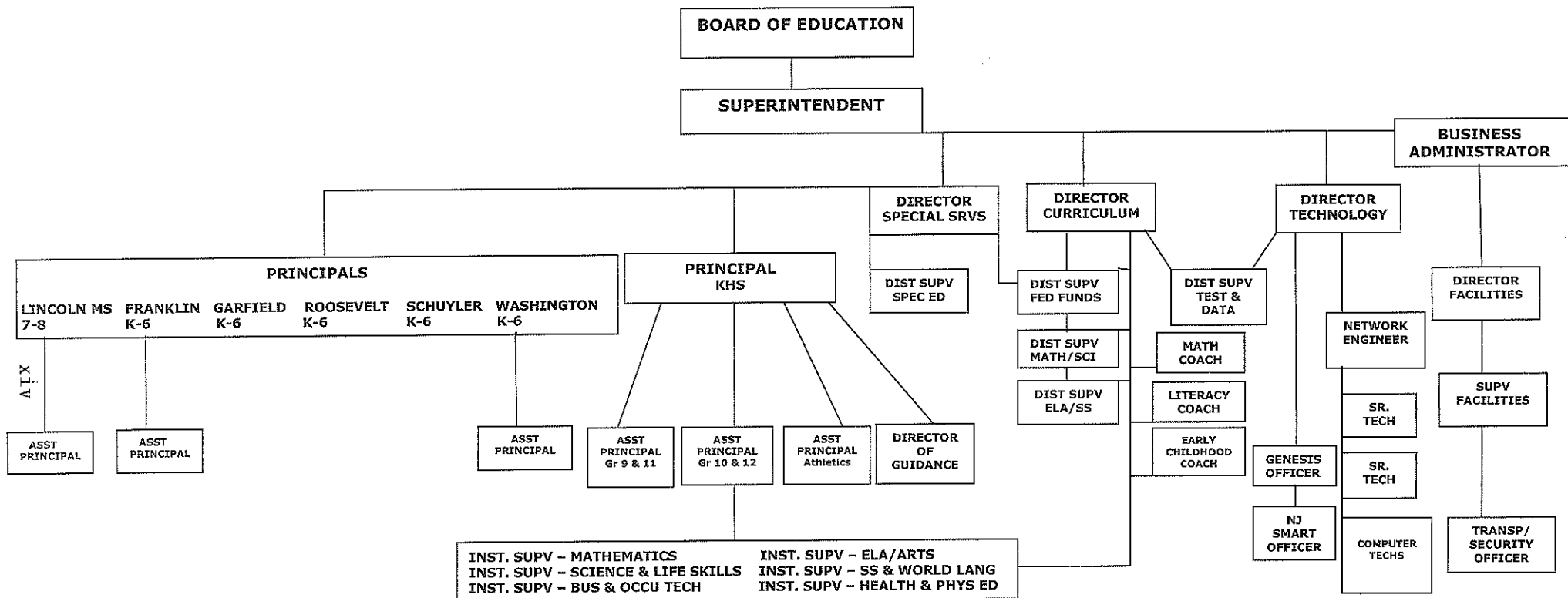
Respectfully submitted,



*H. Ronald Smith
Interim Business Administrator/Board Secretary*



*Patricia Blood
Superintendent of Schools*



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2017

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Barbara Cifelli-Sherry	2019
Mercedes Davidson	2017
James Doran, Jr.	2018
Bryan Granelli	2018
James L. Hill	2017
Cecilia Lindenfeser	2018
Bernadette McDonald	2019
Sebastian J. Viscuso	2018
George Zapata	2020

ADMINISTRATION

Patricia Blood, Superintendent of Schools

H. Ronald Smith, Interim Business Administrator/Board Secretary

KEARNY BOARD OF EDUCATION - CONSULTANTS AND ADVISORS

ARCHITECTS OF RECORD

DICARA RUBINO
30 GALESI DRIVE
WAYNE, NEW JERSEY 07470

ATTORNEY

KENNETH J. LINDENFELSER
570 KEARNY AVENUE
KEARNY, NEW JERSEY 07032

CONSTRUCTION ATTORNEY

DENNIS MCKEEVER
SCIARRILLO, CORNELL, MERLINO, MCKEEVER & OSBORNE, LLC.
53 CARDINAL DRIVE
P.O. BOX 2369
WESTFIELD, NEW JERSEY 07091-2369

AUDIT FIRM

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17-17 STATE HIGHWAY #208N
FAIRLAWN, NEW JERSEY 07410

BOND COUNSEL

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ONE RIVERFRONT PLAZA
NEWARK, NEW JERSEY 07102

NEGOTIATOR/LABOR COUNSEL

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P.O. BOX 2369
WESTFIELD, NEW JERSEY 07091-2369

OFFICIAL DEPOSITORY

THE INVESTORS BANK
300 BERGEN AVENUE
KEARNY, NEW JERSEY 07032

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

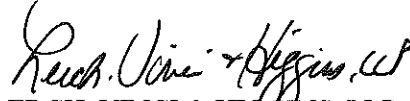
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearny Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2017 on our consideration of the Kearny Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kearny Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Kearny Board of Education's internal control over financial reporting and compliance.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

This section of the Kearny Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- The assets and deferred outflows of resources of the Kearny School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,302,917.
- Overall revenues were \$138,453,070 which were \$16,798,385 more than expenses. General revenues accounted for \$79,729,988 or 58% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$58,723,082 or 42% of total revenues.
- The School District had \$119,602,161 in expenses for governmental activities; only \$56,994,245 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes and federal and state aid) of \$79,729,988 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combining ending fund balances of \$11,184,479. The unassigned general fund balance (GAAP Basis) is a deficit of \$1,476,171.
- The General Fund unassigned budgetary basis fund balance was \$1,956,860 at June 2017, an increase of \$248,635 when compared with the beginning balance at July 1, 2016 of \$1,708,225.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

KEARNY BOARD OF EDUCATION

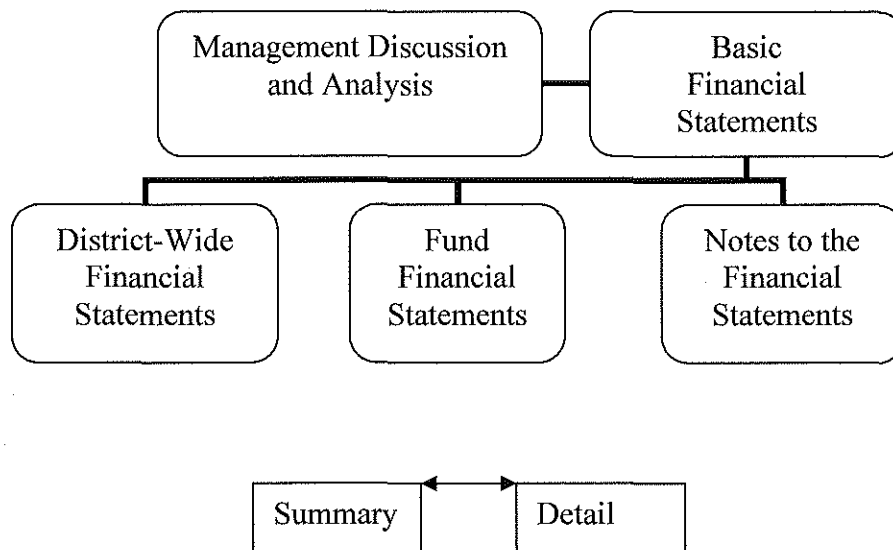
Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

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

Major Features of the District-Wide and Fund Financial Statements

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Net Position. The District's combined net position, as summarized below, was \$49,302,917 and \$32,504,532 on June 30, 2017 and 2016, respectively

Table A-1
Statement of Net Position
as of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 30,305,955	\$ 48,861,429	\$ 556,081	\$ 626,348	\$ 30,862,036	\$ 49,487,777
Capital Assets	84,173,285	66,684,575	98,898	107,215	84,272,183	66,791,790
Total Assets	<u>114,479,240</u>	<u>115,546,004</u>	<u>654,979</u>	<u>733,563</u>	<u>115,134,219</u>	<u>116,279,567</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	9,645,611	4,410,149			9,645,611	4,410,149
Deferred Charges on Refunding	355,915	430,754	-	-	355,915	430,754
Total Deferred Outflows of Resources	<u>10,001,526</u>	<u>4,840,903</u>	<u>-</u>	<u>-</u>	<u>10,001,526</u>	<u>4,840,903</u>
Liabilities						
Long-Term Liabilities	56,467,721	51,185,420			56,467,721	51,185,420
Other Liabilities	19,258,323	36,837,143	40,448	117,415	19,298,771	36,954,558
Total Liabilities	<u>75,726,044</u>	<u>88,022,563</u>	<u>40,448</u>	<u>117,415</u>	<u>75,766,492</u>	<u>88,139,978</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	62,888	471,368			62,888	471,368
Deferred Commodities Revenue	-	-	3,448	4,592	3,448	4,592
Total Deferred Inflows of Resources	<u>62,888</u>	<u>471,368</u>	<u>3,448</u>	<u>4,592</u>	<u>66,336</u>	<u>475,960</u>
Net Position						
Net Investment in Capital Assets	72,979,220	57,535,963	98,898	107,215	73,078,118	57,643,178
Restricted	2,394,838	11,257,150			2,394,838	11,257,150
Unrestricted	(26,682,224)	(36,900,137)	512,185	504,341	(26,170,039)	(36,395,796)
Total Net Position	<u>\$ 48,691,834</u>	<u>\$ 31,892,976</u>	<u>\$ 611,083</u>	<u>\$ 611,556</u>	<u>\$ 49,302,917</u>	<u>\$ 32,504,532</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Below is a summary of the changes in net position for fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 54,654	\$ 75,363	\$ 462,487	\$ 485,056	\$ 517,141	\$ 560,419
Operating Grants and Contributions	38,809,517	30,490,718	1,266,350	1,311,989	40,075,867	31,802,707
Capital Grants and Contributions	18,130,074	2,695,140			18,130,074	2,695,140
General Revenues						
Property Taxes	51,729,848	49,014,914			51,729,848	49,014,914
Federal and State Aid	27,264,893	27,127,855			27,264,893	27,127,855
Other	735,247	1,107,930	-	-	735,247	1,107,930
Total Revenues	<u>136,724,233</u>	<u>110,511,920</u>	<u>1,728,837</u>	<u>1,797,045</u>	<u>138,453,070</u>	<u>112,308,965</u>
Expenses						
Instruction						
Regular	60,448,695	55,352,833			60,448,695	55,352,833
Special Education	16,652,103	15,560,078			16,652,103	15,560,078
Other Instruction	3,890,809	3,357,362			3,890,809	3,357,362
School Sponsored Activities and Athletics	1,586,879	1,509,284			1,586,879	1,509,284
Support Services						
Student and Instruction Related Services	9,191,340	8,959,592			9,191,340	8,959,592
General Administration and Business Services	6,068,346	4,886,949			6,068,346	4,886,949
School Administration Services	9,453,530	8,526,918			9,453,530	8,526,918
Plant Operation and Maintenance	10,068,434	10,038,580			10,068,434	10,038,580
Pupil Transportation	1,738,152	1,790,536			1,738,152	1,790,536
Interest and Other Charges on Long-Term Debt	503,873	545,646			503,873	545,646
Food Service	-	-	2,052,524	2,239,874	2,052,524	2,239,874
Total Expenses	<u>119,602,161</u>	<u>110,527,778</u>	<u>2,052,524</u>	<u>2,239,874</u>	<u>121,654,685</u>	<u>112,767,652</u>
Increase (Decrease) in Net Position before						
Transfers	17,122,072	(15,858)	(323,687)	(442,829)	16,798,385	(458,687)
Transfers	(323,214)	(509,426)	323,214	509,426	-	-
Change in Net Position	16,798,858	(525,284)	(473)	66,597	16,798,385	(458,687)
Net Position, Beginning of Year	<u>31,892,976</u>	<u>32,418,260</u>	<u>611,556</u>	<u>544,959</u>	<u>32,504,532</u>	<u>32,963,219</u>
Net Position, End of Year	<u>\$ 48,691,834</u>	<u>\$ 31,892,976</u>	<u>\$ 611,083</u>	<u>\$ 611,556</u>	<u>\$ 49,302,917</u>	<u>\$ 32,504,532</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Changes in net position. The District's total revenues were \$138,453,070. Property taxes of \$51,729,848 represented 37% of revenues. Approximately 62% of the District's revenues were received from state and federal sources, the balance of 1% came from investment earnings, fees for adult education and other miscellaneous items.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was \$121,654,685. Total revenues exceeded expenses, increasing net position by \$16,798,385 from the beginning balance at July 1, 2016.

Total and Net Cost of Governmental Activities. The District's total cost of services was \$119,602,161 for the fiscal year ended June 30, 2017. After applying program revenues, derived from charges for services of \$54,654; operating grants and contributions of \$38,809,517; and capital grants and contributions of \$18,130,074, the net cost of services of the District is \$62,607,916. The following is a comparative analysis of the net cost of governmental activities for the fiscal years ended June 30, 2017 and 2016.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Governmental Activities				
Instruction				
Regular	\$ 60,448,695	\$ 55,352,833	\$ 21,519,564	\$ 39,170,244
Special Education	16,652,103	15,560,078	7,458,272	7,545,609
Other Instruction	3,890,809	3,357,362	2,401,994	2,302,074
School Sponsored Activities and Athletics	1,586,879	1,509,284	1,152,435	1,199,998
Support Services				
Student and Instruction Related Services	9,191,340	8,959,592	6,106,454	6,654,544
General Administration and Business Services	6,068,346	4,886,949	5,473,999	4,481,326
School Administration Services	9,453,530	8,526,918	6,696,324	6,633,217
Plant Operation and Maintenance	10,068,434	10,038,580	9,613,391	6,994,011
Pupil Transportation	1,738,152	1,790,536	1,681,610	1,739,888
Interest and Other Charges on Debt	503,873	545,646	503,873	545,646
Total Governmental Activities	\$ 119,602,161	\$ 110,527,778	\$ 62,607,916	\$ 77,266,557

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2017 was \$2,052,524. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidy to offset the cost of district employees working in the Food Service Program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's Governmental Funds reported a combined fund balance of \$11,184,479. The fund balance at June 30, 2016 was \$12,182,113. The decrease is attributable to the use of capital reserve funds to fund capital projects and the ongoing capital project at Kearny High School.

GENERAL FUND

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

The following schedule presents a summary of General Fund Revenues for the fiscal years ended June 30, 2017 and 2016.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Increase (Decrease)	<u>Percent</u>
Revenues				
Local Sources:				
Property Tax Levy	\$ 50,681,091	\$ 47,944,682	\$ 2,736,409	5.7%
Miscellaneous	778,042	1,183,293	(405,251)	-34.2%
State Sources	42,006,528	40,721,927	1,284,601	3.2%
Federal Sources	<u>304,663</u>	<u>253,728</u>	<u>50,935</u>	20.1%
Total Revenues	<u>\$ 93,770,324</u>	<u>\$ 90,103,630</u>	<u>\$ 3,666,694</u>	4.1%

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

The General Fund revenues are primarily funded from property taxes and State aid. These combine for 99% of the District's total revenue. The property tax levy increased over \$2.7 million from June 30, 2016 to June 30, 2017. State sources increased primarily due to an increase in TPAF on-behalf payments. Revenue from federal sources (SEMI) increased 20%.

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2017 and 2016.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>	Increase (Decrease)	Percent
Expenditures				
Instruction	\$ 60,839,082	\$ 58,409,187	\$ 2,429,895	4.2%
Support Services	30,414,387	30,500,519	(86,132)	-0.3%
Capital Outlay	-	18,260	(18,260)	-100.0%
Debt Service	<u>1,252,893</u>	<u>298,927</u>	<u>953,966</u>	319.1%
Total Expenditures	<u>\$ 92,506,362</u>	<u>\$ 89,226,893</u>	<u>\$ 3,279,469</u>	3.7%

Total General Fund expenditures increased \$3,279,469 or 3.7% from the previous year. This is a result of increases in contractual salaries and employee benefits.

In 2016-2017 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$6,663,676. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2017 was a deficit of \$1,476,171. This deficit was eliminated upon the District's receipt of the 2016/2017 final state aid payments and extraordinary aid during the 2017/18 school year.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of June 30, 2016 year end encumbrances.
- Appropriation of prior year unappropriated Extraordinary and SEMI aid.
- Appropriation of cancelled capital project balances that were previously funded by General Fund monies.

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

Revenues of the Special Revenue Fund were \$4,161,190, for the fiscal year ended June 30, 2017. State sources in the amount of \$1,054,972 accounted for 25% of the total revenue and federal sources in the amount of \$3,095,680 accounted for 74% of the total revenue in the special revenue fund.

Total Special Revenue Fund revenues decreased \$253,028 or 6% from the previous year. State sources decreased \$124,787, and Federal sources decreased by \$113,596.

Expenditures of the Special Revenue Fund were \$4,161,190. Instructional expenditures were \$3,665,538 or 88%, expenditures for support services were \$484,131 or 12%, and expenditures for capital outlay were \$11,521 for the fiscal year ended June 30, 2017.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Project Fund current year revenues and other financing sources exceeded expenditures and other financing uses by \$5,666,042. The Capital Projects year-end fund balance is \$8,314,841. The amount of revenue earned from the SDA for qualified Education Facilities Construction and Financing Act construction projects was \$7,245,078. In addition, the District realized \$8,707,997 from the FAA and \$2,188,857 from the Port Authority for funding related to the Kearny High School noise abatement/expansion projects.

The amount of debt service expenditures for 2016-2017 was \$1,451,463 in principal and interest, with \$1,048,757 funded from the property tax levy and \$402,706 from state aid.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Capital Assets. At the end of the 2016-2017 fiscal year, the school district had invested in land, buildings, machinery and equipment as stated below:

	<u>Governmental</u> <u>Activities</u>		<u>Business- Type</u> <u>Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 245,000	\$ 245,000		
Construction in Progress	48,221,799	27,852,626		
Site Improvements	123,555	123,555		
Buildings and Improvements	81,391,911	81,391,911		
Machinery and Equipment	<u>2,443,757</u>	<u>2,432,236</u>	\$ 217,074	\$ 206,828
 Total	 132,426,022	 112,045,328	 217,074	 206,828
 Less: Accumulated Depreciation	 <u>(48,252,737)</u>	 <u>(45,360,753)</u>	 <u>(118,176)</u>	 <u>(99,613)</u>
 Total	 <u>\$ 84,173,285</u>	 <u>\$ 66,684,575</u>	 <u>\$ 98,898</u>	 <u>\$ 107,215</u>

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

Debt Administration. As of June 30, 2017 and 2016 the school district had long-term debt and outstanding long-term liabilities as follows:

	<u>2017</u>	<u>2016</u>
Serial Bonds Payable	\$ 7,450,000	\$ 8,580,000
Obligations Under Capital Leases	3,653,895	4,378,761
Compensated Absences	12,427,176	13,235,435
Net Pension Liability (PERS)	<u>32,410,578</u>	<u>24,354,535</u>
 Total	 <u>\$ 55,941,649</u>	 <u>\$ 50,548,731</u>

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BASIC FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,992,893	\$ 458,527	\$ 2,451,420
Receivables, net			
Receivables from Other Governments	28,313,062	86,077	28,399,139
Inventory		11,477	11,477
Capital Assets			
Not Being Depreciated	48,466,799		48,466,799
Being Depreciated, Net	<u>35,706,486</u>	<u>98,898</u>	<u>35,805,384</u>
Total Assets	<u>114,479,240</u>	<u>654,979</u>	<u>115,134,219</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	9,645,611		9,645,611
Deferred Amount on Refunding	<u>355,915</u>	-	<u>355,915</u>
Total Deferred Outflows of Resources	<u>10,001,526</u>	-	<u>10,001,526</u>
Total Assets and Deferred Outflows of Resources	<u>124,480,766</u>	<u>654,979</u>	<u>125,135,745</u>
LIABILITIES			
Accounts Payable	3,041,925	40,448	3,082,373
Payable to Federal/State Governments	29,194		29,194
Unearned Revenue	1,050,357		1,050,357
Accrued Interest Payable	136,847		136,847
Grant Note Payable	15,000,000		15,000,000
Noncurrent Liabilities			
Due Within One Year	3,455,882		3,455,882
Due Beyond One Year	<u>53,011,839</u>	-	<u>53,011,839</u>
Total Liabilities	<u>75,726,044</u>	<u>40,448</u>	<u>75,766,492</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	62,888		62,888
Deferred Commodities Revenue	-	3,448	3,448
Total Deferred Inflows of Resources	<u>62,888</u>	<u>3,448</u>	<u>66,336</u>
Total Liabilities and Deferred Inflows of Resources	<u>75,788,932</u>	<u>43,896</u>	<u>75,832,828</u>
NET POSITION			
Net Investment in Capital Assets	72,979,220	98,898	73,078,118
Restricted for:			
Capital Projects	2,368,729		2,368,729
Debt Service	26,109		26,109
Unrestricted	<u>(26,682,224)</u>	<u>512,185</u>	<u>(26,170,039)</u>
Total Net Position	<u>\$ 48,691,834</u>	<u>\$ 611,083</u>	<u>\$ 49,302,917</u>

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

KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 60,448,695	\$ 5,884	\$ 21,173,905	\$ 17,749,342	\$ (21,519,564)		\$ (21,519,564)
Special Education	16,652,103		9,184,766	9,065	(7,458,272)		(7,458,272)
Other Instruction	3,890,809	48,770	1,440,045		(2,401,994)		(2,401,994)
School Sponsored Activities and Athletics							
	1,586,879		434,444		(1,152,435)		(1,152,435)
Support Services							
Student and Instruction Related Svcs.	9,191,340		2,778,487	306,399	(6,106,454)		(6,106,454)
General Administration Services	3,644,098		122,652		(3,521,446)		(3,521,446)
School Administration Services	9,453,530		2,744,515	12,691	(6,696,324)		(6,696,324)
Plant Operations and Maintenance	10,068,434		402,466	52,577	(9,613,391)		(9,613,391)
Pupil Transportation	1,738,152		56,542		(1,681,610)		(1,681,610)
Business and Other Support Services	2,424,248		471,695		(1,952,553)		(1,952,553)
Interest and Other Charges on Long-Term Debt	503,873	-	-	-	(503,873)	-	(503,873)
Total Governmental Activities	119,602,161	54,654	38,809,517	18,130,074	(62,607,916)	-	(62,607,916)
Business-Type Activities							
Food Service	2,052,524	462,487	1,266,350	-	-	\$ (323,687)	(323,687)
Total Business-Type Activities	2,052,524	462,487	1,266,350	-	-	(323,687)	(323,687)
Total Primary Government	\$ 121,654,685	\$ 517,141	\$ 40,075,867	\$ 18,130,074	(62,607,916)	(323,687)	(62,931,603)
General Revenues:							
Property Taxes, General					50,681,091		50,681,091
Property Taxes, Debt Service					1,048,757		1,048,757
Federal and State Aid - Unrestricted					26,862,187		26,862,187
State Aid- Restricted for Debt Service					402,706		402,706
Investment Income					36,314		36,314
Miscellaneous Income					698,933		698,933
Other Items							
Transfers					(323,214)	323,214	-
Total General Revenues and Transfers					79,406,774	323,214	79,729,988
Change in Net Position					16,798,858	(473)	16,798,385
Net Position, Beginning of Year					31,892,976	611,556	32,504,532
Net Position, End of Year					\$ 48,691,834	\$ 611,083	\$ 49,302,917

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

FUND FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,279,613	\$ 713,280	-		\$ 1,992,893
Due from Other Funds	1,014,253				1,014,253
Receivables, Net					
Receivables From Other Governments	686,574	573,134	\$ 27,053,354	-	28,313,062
Total Assets	<u>\$ 2,980,440</u>	<u>\$ 1,286,414</u>	<u>\$ 27,053,354</u>	<u>\$ -</u>	<u>\$ 31,320,208</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 51,890	\$ 332,329	\$ 2,657,706		\$ 3,041,925
Due to Other Funds			1,014,253		1,014,253
Payable to Federal/State Governments		29,194			29,194
Grant Note Payable			15,000,000		15,000,000
Unearned Revenue	58,912	924,891	66,554	-	1,050,357
Total Liabilities	<u>110,802</u>	<u>1,286,414</u>	<u>18,738,513</u>	<u>-</u>	<u>20,135,729</u>
Fund Balances					
Restricted					
Capital Reserve	2,368,729				2,368,729
Adult Education Program	53,876				53,876
Excess Surplus	19,104				19,104
Excess Surplus Designated for Subsequent Year's Budget	482,308				482,308
Capital Projects			8,288,732		8,288,732
Debt Service			26,109		26,109
Committed					
Encumbrances	764,842				764,842
Assigned					
Designated for Subsequent Year's Budget	58,559				58,559
Encumbrances	598,391				598,391
Unassigned					
General Fund	(1,476,171)	-	-	-	(1,476,171)
Total Fund Balances	<u>2,869,638</u>	<u>-</u>	<u>8,314,841</u>	<u>-</u>	<u>11,184,479</u>
Total Liabilities and Fund Balances	<u>\$ 2,980,440</u>	<u>\$ 1,286,414</u>	<u>\$ 27,053,354</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$132,426,022 and the accumulated depreciation is \$48,252,737. 84,173,285

The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is (136,847)

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

General Obligation Bonds Payable	\$ 7,976,072
Deferred Amount on Debt Refunding	(355,915)
Obligations Under Lease Purchase Agreements	3,653,895
Compensated Absences	12,427,176
Net Pension Liability	32,410,578
Deferred Inflows of Resources	
Deferred Amounts on Net Pension Liability	62,888
Deferred Outflows of Resources	
Deferred Amounts on Net Pension Liability	(9,645,611)

(46,529,083)

Net Position of Governmental Activities

\$ 48,691,834

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Property Tax Levy	\$ 50,681,091			\$ 1,048,757	\$ 51,729,848
Miscellaneous	778,042	\$ 10,538	\$ 2,188,857	-	2,977,437
Total - Local Sources	51,459,133	10,538	2,188,857	1,048,757	54,707,285
State Sources	42,006,528	1,054,972	7,245,078	402,706	50,709,284
Federal Sources	304,663	3,095,680	8,707,997	-	12,108,340
Total Revenues	93,770,324	4,161,190	18,141,932	1,451,463	117,524,909
EXPENDITURES					
Current					
Instruction					
Regular Instruction	43,655,025	2,307,732			45,962,757
Special Education Instruction	12,882,418	1,312,240			14,194,658
Other Instruction	2,983,296	45,566			3,028,862
School Sponsored Activities and Athletics	1,318,343				1,318,343
Support Services					
Student and Instruction Related Services	7,023,286	484,131			7,507,417
General Administrative Services	3,341,535				3,341,535
School Administrative Services	7,477,505				7,477,505
Plant Operations and Maintenance	8,949,747				8,949,747
Pupil Transportation	1,605,457				1,605,457
Business and Central Services	2,016,857				2,016,857
Debt Service					
Principal	1,013,725			1,130,000	2,143,725
Interest and Other Charges	239,168			321,463	560,631
Capital Outlay	-	11,521	20,369,173	-	20,380,694
Total Expenditures	92,506,362	4,161,190	20,369,173	1,451,463	118,488,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,263,962	-	(2,227,241)	-	(963,279)
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	288,859		-		288,859
Transfers In	406,717		8,300,000	-	8,706,717
Transfers Out	(8,623,214)	-	(406,717)	-	(9,029,931)
Total Other Financing Sources and Uses	(7,927,638)	-	7,893,283	-	(34,355)
Net Change in Fund Balances	(6,663,676)	-	5,666,042	-	(997,634)
Fund Balance, Beginning of Year	9,533,314	-	2,648,799	-	12,182,113
Fund Balance, End of Year	\$ 2,869,638	\$ -	\$ 8,314,841	\$ -	\$ 11,184,479

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

**KEARNY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (997,634)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay expense exceeds depreciation in the current period.

Capital Outlays	\$ 20,380,694	
Depreciation Expense	<u>(2,891,984)</u>	17,488,710

The issuance of long-term debt provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. It does not affect the statement of activities.

Capital Lease Proceeds		(288,859)
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In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Net Decrease in Compensated Absences Liability		808,259
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of Bond Principal	1,130,000	
Amortization of Premium	110,617	
Amortization of Deferred Loss on Refunding	(74,839)	
Repayment of Lease Purchase Obligations	<u>1,013,725</u>	2,179,503

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		20,980
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

Increase in Pension Expense - Public Employees' Retirement System		<u>(2,412,101)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 16,798,858**

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 458,527
Intergovernmental Accounts Receivable	86,077
Inventories	<u>11,477</u>

Total Current Assets 556,081

Capital Assets

Furniture, Machinery and Equipment	217,074
Less Accumulated Depreciation	<u>(118,176)</u>

Total Capital Assets 98,898

Total Assets 654,979

LIABILITIES

Current Liabilities

Accounts Payable	<u>40,448</u>
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Total Liabilities 40,448

DEFERRED INFLOWS OF RESOURCES

Deferred Commodities Revenue	<u>3,448</u>
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Total Deferred Inflows of Resources 3,448

Total Liabilities and Deferred Inflows of Resources 43,896

NET POSITION

Investment in Capital Assets	98,898
Unrestricted	<u>512,185</u>

Total Net Position \$ 611,083

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES

Charges for Services	
Daily Sales	
Reimbursable Programs	\$ 273,002
Non-Reimbursable Programs	188,214
Special Functions	<u>1,271</u>
Total Operating Revenues	<u>462,487</u>

OPERATING EXPENSES

Cost of Sales	
Reimbursable Programs	575,224
Non-Reimbursable Programs	256,567
Salaries and Wages	820,060
Employee Benefits	106,643
Management Fee	65,601
Other Expenses	155,648
Supplies and Materials	54,218
Depreciation	<u>18,563</u>
Total Operating Expenses	<u>2,052,524</u>

Operating Income (Loss)	<u>(1,590,037)</u>
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NONOPERATING REVENUES

State Sources	
State School Lunch Program	20,809
Federal Sources	
National School Lunch Program	972,563
National School Breakfast Program	104,343
Food Distribution Program	<u>168,635</u>
Total Nonoperating Revenues	<u>1,266,350</u>

Operating (Loss) Before Transfers	(323,687)
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Net Transfers	<u>323,214</u>
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Change in Net Position	(473)
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Total Net Position, Beginning of Year	<u>611,556</u>
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Total Net Position, End of Year	<u>\$ 611,083</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 462,487
Cash Payments for Employees Salaries and Benefits	(926,703)
Cash Payments to Suppliers	<u>(1,008,067)</u>
Net Cash (Used for) Operating Activities	<u>(1,472,283)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash Received from General Fund	223,214
Cash Received from State and Federal Sources	<u>1,240,558</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,463,772</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Capital Assets	<u>(10,246)</u>
Net Cash (Used For) Capital Financing Activities	<u>(10,246)</u>

Net Change in Cash and Cash Equivalents	(18,757)
Cash and Cash Equivalents, Beginning of Year	<u>477,284</u>
Cash and Cash Equivalents, End of Year	<u>\$ 458,527</u>

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

Operating Income (Loss)	<u>\$ (1,590,037)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used for) Operating Activities	
Depreciation	18,563
Non Cash Federal Assistance-Food Distribution Program	168,635
(Increase) Decrease in Inventories	8,667
Increase (Decrease) in Deferred Commodities Revenue	(1,144)
Increase (Decrease) in Accounts Payable	<u>(76,967)</u>
Total Adjustments	<u>117,754</u>

Net Cash (Used for) Operating Activities	<u>\$ (1,472,283)</u>
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Non-Cash Financing Activities:

Fair Value Received - Food Distribution Program	\$ 167,490
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	Scholarship Trust Funds	Unemployment Compensation Trust Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 273,705	\$ 907,681	\$ 808,632
Investments	414,261		
Due from Other Funds	-	1,121	-
Total Assets	687,966	908,802	\$ 808,632
LIABILITIES			
Intergovernmental Payable		30,181	
Accounts Payable		505	
Due to Other Funds			\$ 1,121
Due To Student Groups			347,769
Payroll Deductions and Withholdings	-	-	459,742
Total Liabilities	-	30,686	\$ 808,632
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	\$ 687,966	\$ 878,116	

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

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Scholarship Trust Funds	Unemployment Compensation Trust Fund
ADDITIONS		
Interest Earnings	\$ 863	\$ 2,209
Gain on Investment	6,977	
Scholarship Bequests	418,466	
Employee Contributions	-	125,369
Total Additions	426,306	127,578
DEDUCTIONS		
Scholarships Awarded	4,000	
Administrative Expenses	2	6,066
Unemployment Claims and Contributions	-	157,808
Total Deductions	4,002	163,874
Change in Net Position	422,304	(36,296)
Net Position, Beginning of Year	265,662	914,412
Net Position, End of Year	\$ 687,966	\$ 878,116

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

NOTES TO THE FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

Additionally, the government reports the following fund types:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

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

4. Capital Assets

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

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets (Continued)*

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

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

5. *Deferred Outflows/Inflows of Resources*

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Compensated Absences*

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

7. *Pensions*

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

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

8. *Long-Term Obligations*

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

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

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

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

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Statements (Continued)

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

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

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

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

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

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$9,773,425. The increase was funded by additional surplus appropriated, the appropriation of capital reserve funds and prior year unappropriated extraordinary aid and SEMI/ARRA aid, grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year the Board authorized and approved additional fund balance appropriations of \$406,551.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$1,476,171 in the General Fund as of June 30, 2017 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2016/2017 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$1,476,171 in the General Fund is less than the delayed state aid payments at June 30, 2017.

C. Capital Reserve

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

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$ 8,662,011
Increased by:		
Interest Earnings	\$ 6,718	
Deposit by Board Resolution	<u>2,000,000</u>	
		<u>2,006,718</u>
		10,668,729
Decreased by:		
Withdrawal from Capital Reserve		<u>8,300,000</u>
Balance, June 30, 2017		<u>\$ 2,368,729</u>

D. Transfers to Capital Outlay

During the 2016/2017 school year, the district transferred \$8,300,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2017 is \$501,412. Of this amount, \$482,308 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$19,104 will be appropriated in the 2018/2019 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$4,441,438 and bank and brokerage firm balances of the Board's deposits amounted to \$4,440,441. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 4,440,441</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2017 the Board's bank balances were not exposed to custodial credit risk.

Investments

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

Fair market value and unrealized gains and losses of the Scholarship Trust Fund investment at June 30, 2017 is summarized as follows:

<u>2017</u>	<u>Bequest Value - Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Unrestricted Investments	<u>\$ 409,994</u>	<u>\$ 414,261</u>	<u>\$4,267</u>

In addition the Securities Investor Protection Corporation (SIPC) insures clients against the custodial risk of member investment firms becoming insolvent to a maximum of \$500,000. The Board's investments does not exceed these limits at June 30, 2017.

The following schedule summarizes the investment return in the statement of activities for the years ended:

	<u>June 30, 2017</u>
Unrestricted Investments:	
Interest and Dividend Income	\$ 2,710
Net Realized and Unrealized Gains and (Losses)	<u>4,267</u>
Total Investment Return	<u>\$ 6,977</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

Generally accepted accounting principles provide a framework for measuring fair value. That framework established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of June 30, 2017.

	<u>Level I</u>
Unrestricted Investments:	
Exchange Traded Funds	<u>\$ 414,261</u>
Total	<u>\$ 414,261</u>

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

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal	\$ 63,135	\$ 573,134	\$ 7,918,644	\$ 84,657	\$ 8,639,570
State	613,635		17,155,049	1,420	17,770,104
Other	<u>9,804</u>	<u>-</u>	<u>1,979,661</u>	<u>-</u>	<u>1,989,465</u>
	<u>686,574</u>	<u>573,134</u>	<u>27,053,354</u>	<u>86,077</u>	<u>28,399,139</u>
Gross Receivables	686,574	573,134	27,053,354	86,077	28,399,139
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 686,574</u>	<u>\$ 573,134</u>	<u>\$ 27,053,354</u>	<u>\$ 86,077</u>	<u>\$ 28,399,139</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

	<u>Total</u>
General Fund	
Revenue Collected for Subsequent School Year	\$ 58,912
Special Revenue Fund	
Unencumbered Grant Drawdowns	921,891
Grant Draw Downs Reserved for Encumbrances	3,000
Capital Projects Fund	
Unrealized School Facilities Grants	<u>66,554</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 1,050,357</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance, July 1, 2016</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance, June 30, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 245,000			\$ 245,000
Construction in Progress	<u>27,852,626</u>	<u>\$ 20,369,173</u>	<u>\$ -</u>	<u>48,221,799</u>
Total Capital Assets, Not Being Depreciated	<u>28,097,626</u>	<u>20,369,173</u>	<u>-</u>	<u>48,466,799</u>
Capital Assets, Being Depreciated:				
Site Improvements	123,555			123,555
Buildings and Improvements	81,391,911	-		81,391,911
Machinery and Equipment	<u>2,432,236</u>	<u>11,521</u>	<u>-</u>	<u>2,443,757</u>
Total Capital Assets Being Depreciated	<u>83,947,702</u>	<u>11,521</u>	<u>-</u>	<u>83,959,223</u>
Less Accumulated Depreciation for:				
Site Improvements	(43,246)	(6,178)		(49,424)
Buildings and Improvements	(44,089,799)	(2,702,404)		(46,792,203)
Machinery and Equipment	<u>(1,227,708)</u>	<u>(183,402)</u>	<u>-</u>	<u>(1,411,110)</u>
Total Accumulated Depreciation	<u>(45,360,753)</u>	<u>(2,891,984)</u>	<u>-</u>	<u>(48,252,737)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,586,949</u>	<u>(2,880,463)</u>	<u>-</u>	<u>35,706,486</u>
Governmental Activities Capital Assets, Net	<u>\$ 66,684,575</u>	<u>\$ 17,488,710</u>	<u>\$ -</u>	<u>\$ 84,173,285</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	Decreases/ <u>Adjustments</u>	Balance, <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 206,828	\$ 10,246	-	\$ 217,074
Total Capital Assets Being Depreciated	<u>206,828</u>	<u>10,246</u>	<u>-</u>	<u>217,074</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(99,613)	(18,563)	-	(118,176)
Total Accumulated Depreciation	<u>(99,613)</u>	<u>(18,563)</u>	<u>-</u>	<u>(118,176)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 107,215</u>	<u>\$ (8,317)</u>	<u>\$ -</u>	<u>\$ 98,898</u>

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

Governmental Activities:

Instruction		
Regular		\$ 2,831,252
Special		<u>1,446</u>
Total Instruction		<u>2,832,698</u>
Support Services		
Support Services - Students		15,906
General Administration		14,171
School Administration		2,024
Operations and Maintenance of Plant		8,387
Student Transportation		<u>18,798</u>
Total Support Services		<u>59,286</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 2,891,984</u>

Business-Type Activities:

Food Service Fund	\$ 18,563
Total Depreciation Expense-Business-Type Activities	<u>\$ 18,563</u>

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2017:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aircraft Noise Abatement - Kearny High School	\$ 48,221,797	\$ 8,243,944

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,014,253
Unemployment Compensation Trust Fund	Payroll Agency Fund	1,121
Total		<u>\$ 1,015,374</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
<u>Transfer Out:</u>				
General Fund		\$ 8,300,000	\$ 323,214	\$ 8,623,214
Capital Projects Fund	\$ 406,717	-	-	406,717
Total Transfers Out	<u>\$ 406,717</u>	<u>\$ 8,300,000</u>	<u>\$ 323,214</u>	<u>\$ 9,029,931</u>

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases copy machines and printers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2017 were \$158,891. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 154,274
2019	154,274
2020	154,274
2021	154,274
2022	<u>115,705</u>
Total	<u>\$ 732,801</u>

Capital Leases

The District has entered into a five year lease purchase for the acquisition of computers and equipment.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 1,058,017
2019	1,058,017
2020	852,346
2021	<u>852,346</u>
Total Minimum Lease Payments	3,820,726
Less: Amount Representing Interest	<u>(166,831)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,653,895</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2017 are comprised of the following issues:

\$12,725,000, 2007 Bonds, due in annual installments of \$950,000 on July 15, 2017, interest at 4.25%	\$950,000
\$6,740,000, 2015 Bonds, due in annual installments of \$180,000 to \$1,140,000 through July 15, 2025 interest at 2.0% to 4.0%	<u>6,500,000</u>
Total	<u>\$7,450,000</u>

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 1,130,000	\$ 275,688	\$ 1,405,688
2019	1,135,000	230,100	1,365,100
2020	1,135,000	184,700	1,319,700
2021	1,140,000	139,200	1,279,200
2022	1,140,000	93,600	1,233,600
2023-2027	<u>1,770,000</u>	<u>86,200</u>	<u>1,856,200</u>
	<u>\$ 7,450,000</u>	<u>\$ 1,009,488</u>	<u>\$ 8,459,488</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 140,094,135
Less: Net Debt	<u>7,450,000</u>
Remaining Borrowing Power	<u>\$ 132,644,135</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Reductions	Balance, June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 8,580,000		\$ 1,130,000	\$ 7,450,000	\$ 1,130,000
Add: Premium on Bonds	636,689	-	110,617	526,072	-
Total Bonds Payable	9,216,689	-	1,240,617	7,976,072	1,130,000
Obligations Under Lease Purchase	4,378,761	\$ 288,859	1,013,725	3,653,895	992,395
Compensated Absences	13,235,435	394,318	1,202,577	12,427,176	1,333,487
Net Pension Liability	24,354,535	9,028,220	972,177	32,410,578	-
Governmental Activity Long-Term Liabilities	<u>\$ 51,185,420</u>	<u>\$ 9,711,397</u>	<u>\$ 4,429,096</u>	<u>\$ 56,467,721</u>	<u>\$ 3,455,882</u>

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

I. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2017 was as follows:

Grant Anticipation Notes

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction grants. The Board's short-term debt activity for the fiscal year ended June 30, 2017 was as follows:

<u>Purpose</u>	<u>Rate</u> %	<u>Maturity</u> Date	<u>Balance,</u> July 1, 2016	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> June 30, 2017
Grant Anticipation Note	2.00%	10/6/2017		\$ 15,000,000		\$ 15,000,000
Grant Anticipation Note	2.00%	10/7/2016	\$ 15,000,000	-	\$ 15,000,000	-
			<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	\$ 125,369	\$ 157,808	\$ 878,116
2016	130,666	130,982	914,412
2015	130,417	104,576	919,404

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2017 the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 972,177	\$ 4,359,040	\$ 49,596
2016	932,750	3,191,128	53,006
2015	898,543	2,100,502	19,210

In addition for fiscal year 2016/2017 the District contributed \$3,771 for PERS and the State contributed \$9,663 for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,792,876 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$32,410,578 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .10943 percent, which was an increase of .00094 percent from its proportionate share measured as of June 30, 2015 of .10849 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,384,278 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 602,738	
Changes of Assumptions	6,713,741	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,235,845	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>1,093,287</u>	<u>\$ 62,888</u>
Total	<u>\$ 9,645,611</u>	<u>\$ 62,888</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	<u>Total</u>
2018	\$ 2,214,860
2019	2,214,860
2020	2,518,896
2021	2,015,815
2022	618,292
Thereafter	<u>-</u>
	<u>\$ 9,582,723</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2034

Municipal Bond Rate * From July 1, 2034
and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 39,715,380</u>	<u>\$ 32,410,578</u>	<u>\$ 26,379,830</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$23,558,364 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$313,542,609. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .39857 percent, which was an increase of .01005 percent from its proportionate share measured as of June 30, 2015 of .38852 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

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

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease (<u>2.22%</u>)	Current Discount Rate (<u>3.22%</u>)	1% Increase (<u>4.22%</u>)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ <u>374,439,944</u>	\$ <u>313,542,609</u>	\$ <u>263,812,076</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$3,632,071, \$3,799,751 and \$3,334,547, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

The Board authorized the issuance of \$15,000,000 of Grant Anticipation Notes for the purpose of financing the District's aircraft noise abatement projects. The Board has awarded the sale of said notes to Oppenheimer at an interest rate of 2.25%. These notes are dated October 5, 2017, and will mature on October 5, 2018.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

G. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Kearny Board of Education, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

BUDGETARY COMPARISON SCHEDULES

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Property Taxes	\$ 50,681,091		\$ 50,681,091	\$ 50,681,091	
Tuition from Summer School	2,000		2,000	5,884	\$ 3,884
Rents and Royalties	60,000		60,000	33,453	(26,547)
Interest on Capital Reserve	1,000		1,000	6,718	5,718
Unrestricted Miscellaneous Revenues	370,000	-	370,000	683,217	313,217
Total Local Sources	<u>51,114,091</u>	<u>-</u>	<u>51,114,091</u>	<u>51,410,363</u>	<u>296,272</u>
Intermediate Sources					
Restricted Miscellaneous Revenues	-	-	-	48,770	48,770
State Sources					
Equalization Aid	26,205,446		26,205,446	26,205,446	
Special Education Aid	3,583,423		3,583,423	3,583,423	
Security Aid	408,316		408,316	408,316	
Transportation Aid	57,192		57,192	57,192	
Under Adequacy Aid	500,000		500,000	500,000	
PARCC Readiness Aid	58,140		58,140	58,140	
Per Pupil Growth Aid	58,140		58,140	58,140	
Professional Learning Community Aid	58,330		58,330	58,330	
Extraordinary Aid	205,552		205,552	361,471	155,919
On Behalf TPAF (Non Budgeted)					
NCGI Premium				152,416	152,416
Pension Contribution				4,206,624	4,206,624
Long Term Disability Contribution				9,663	9,663
Post Retirement Medical Contributions				3,632,071	3,632,071
Reimbursed Social Security Contribution	-	-	-	2,792,876	2,792,876
Total State Sources	<u>31,134,539</u>	<u>-</u>	<u>31,134,539</u>	<u>42,084,108</u>	<u>10,949,569</u>
Federal Sources					
Medicaid Assistance Program	87,334	-	87,334	304,663	217,329
Total Federal Sources	<u>87,334</u>	<u>-</u>	<u>87,334</u>	<u>304,663</u>	<u>217,329</u>
Total Revenues	<u>82,335,964</u>	<u>-</u>	<u>82,335,964</u>	<u>93,847,904</u>	<u>11,511,940</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	1,839,807	\$ (90,324)	1,749,483	1,709,741	39,742
Grades 1-5	9,793,601	(208,958)	9,584,643	9,532,401	52,242
Grades 6-8	6,569,670	(254,330)	6,315,340	6,175,706	139,634
Grades 9-12	8,008,722	192,588	8,201,310	8,160,320	40,990
Regular Programs - Home Instruction					
Salaries of Teachers	130,296	16,897	147,193	147,193	-
Purchased Professional Educational Services	32,752	(5,000)	27,752	27,177	575
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	-	1,420	1,420	1,420	-
Purchased Professional Educational Services	331,500	(56,727)	274,773	247,239	27,534
Other Purchased Services	274,208	119,333	393,541	377,805	15,736
General Supplies	831,661	(101,013)	730,648	548,451	182,197
Instructional Supplies Acquired Under Lease Purchase (Non-Budgeted)				288,859	(288,859)
Textbooks	389,416	95,004	484,420	280,374	204,046
Other Objects	103,739	(13,512)	90,227	59,906	30,321
Total Regular Programs	<u>28,305,372</u>	<u>(304,622)</u>	<u>28,000,750</u>	<u>27,556,592</u>	<u>444,158</u>
Learning /Language Disabilities					
Salaries of Teachers	1,241,500	(89,346)	1,152,154	1,116,352	35,802
Other Salaries for Instruction	597,884	(277,460)	320,424	320,198	226
General Supplies	6,310	(2,025)	4,285	4,285	-
Total Learning /Language Disabilities	<u>1,845,694</u>	<u>(368,831)</u>	<u>1,476,863</u>	<u>1,440,835</u>	<u>36,028</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Behavioral Disabilities					
Salaries of Teachers	\$ 65,037	\$ 2,500	\$ 67,537	\$ 67,450	\$ 87
Other Salaries for Instruction	43,450	(43,000)	450	-	450
Total Behavioral Disabilities	108,487	(40,500)	67,987	67,450	537
Resource Room/Resource Center					
Salaries of Teachers	3,785,573	(145,600)	3,639,973	3,638,987	986
Other Salaries for Instruction	698,509	(289,404)	409,105	409,105	-
Total Resource Room/Resource Center	4,484,082	(435,004)	4,049,078	4,048,092	986
Preschool Disabilities - Part - Time					
Salaries of Teachers	230,692	-	230,692	197,603	33,089
Total Preschool Disabilities - Part - Time	230,692	-	230,692	197,603	33,089
Total Special Education	6,668,955	(844,335)	5,824,620	5,753,980	70,640
Basic Skills/Remedial					
Salaries of Teachers	575,992	(321,685)	254,307	244,643	9,664
General Supplies	8,816	-	8,816	-	8,816
Textbooks	1,037	-	1,037	-	1,037
Total Basic Skills/Remedial	585,845	(321,685)	264,160	244,643	19,517
Bilingual Education					
Salaries of Teachers	1,120,197	299,500	1,419,697	1,404,562	15,135
General Supplies	8,271	-	8,271	291	7,980
Textbooks	3,789	-	3,789	604	3,185
Total Bilingual Education	1,132,257	299,500	1,431,757	1,405,457	26,300
Vocational Programs- Local - Instruction					
Salaries of Teachers	326,477	(40,000)	286,477	255,173	31,304
General Supplies	38,669	975	39,644	37,849	1,795
Total Vocational Programs- Local - Instruction	365,146	(39,025)	326,121	293,022	33,099
School Sponsored Co/Extra Curricular Activities					
Salaries	156,455	(30,769)	125,686	124,967	719
Purchased Services	13,589	2,527	16,116	16,014	102
Total School Sponsored Co/Extra Curricular Activities	170,044	(28,242)	141,802	140,981	821
School Sponsored Athletics					
Salaries	460,830	10,459	471,289	468,334	2,955
Purchased Services	256,772	(11,340)	245,432	211,036	34,396
Supplies and Materials	78,216	(11,800)	66,416	55,283	11,133
Other Objects	147,112	(3,294)	143,818	139,061	4,757
Total School Sponsored Athletics	942,930	(15,975)	926,955	873,714	53,241
Total - Instruction	38,170,549	(1,254,384)	36,916,165	36,268,389	647,776

KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Special	\$ 148,484	\$ 19,422	\$ 167,906	\$ 150,102	\$ 17,804
Tuition to Private School for Disabled W/ State	3,873,548	204,425	4,077,973	4,049,858	28,115
Tuition State Facilities	9,000	-	9,000	9,000	-
Total Undistributed Expenditures - Instruction	4,031,032	223,847	4,254,879	4,208,960	45,919
Attendance and Social Work					
Salaries	18,480	319	18,799	18,799	-
Total Attendance and Social Work	18,480	319	18,799	18,799	-
Health Services					
Salaries	677,750	1,921	679,671	678,421	1,250
Purchased Professional and Technical Services	8,000	-	8,000	8,000	-
Other Purchased Services	93,844	17,000	110,844	105,956	4,888
Supplies and Materials	11,020	(1,900)	9,120	7,095	2,025
Total Health Services	790,614	17,021	807,635	799,472	8,163
Speech, OT, PT & Related Services					
Purchased Professional - Educational Services	585,860	4,740	590,600	577,528	13,072
Total Speech, OT, PT & Related Services	585,860	4,740	590,600	577,528	13,072
Guidance					
Salaries of Other Professional Staff	1,252,134	(65,768)	1,186,366	1,173,075	13,291
Salaries of Secretarial and Clerical Assistants	112,728	15,327	128,055	128,055	-
Purchased Professional-Educational Services	6,334	-	6,334	5,965	369
Supplies and Materials	284	-	284	-	284
Total Guidance	1,371,480	(50,441)	1,321,039	1,307,095	13,944
Child Study Teams					
Salaries of Other Professional Staff	1,434,797	(40,548)	1,394,249	1,387,580	6,669
Salaries of Secretarial and Clerical Assistants	72,833	46,000	118,833	118,688	145
Supplies and Materials	32,362	(4,714)	27,648	24,894	2,754
Total Child Study Teams	1,539,992	738	1,540,730	1,531,162	9,568
Improvement of Instructional Service					
Salaries of Secretarial and Clerical Assistants	22,928	(1)	22,927	22,927	-
Salaries of Facilitators, Math & Literacy Coaches	-	25,007	25,007	25,007	-
Total Improvement of Instructional Service	22,928	25,006	47,934	47,934	-
Educational Media Services/School Library					
Salaries	565,510	8,101	573,611	572,644	967
Supplies and Materials	22,073	213	22,286	21,172	1,114
Total Educational Media Services/School Library	587,583	8,314	595,897	593,816	2,081
Instructional Staff Training Services					
Purchased Professional-Educational Services	25,000	30,000	55,000	54,984	16
Supplies and Materials	5,000	5,000	10,000	7,778	2,222
Other Objects	6,478	-	6,478	5,000	1,478
Total Improvement of Instructional Service	36,478	35,000	71,478	67,762	3,716

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Support Services General Administration					
Salaries	\$ 1,116,497	\$ (101,124)	\$ 1,015,373	\$ 1,011,461	\$ 3,912
Legal Services	238,238	(116,011)	122,227	59,503	62,724
Audit Fees	54,344	14,064	68,408	64,524	3,884
Architectural/Engineering Services	105,802	(47,475)	58,327	20,958	37,369
Other Purchased Professional Services	58,179	(5,400)	52,779	46,130	6,649
Purchased Technical Services	88,452	(13,956)	74,496	74,496	-
Communications/Telephone	153,904	(50,000)	103,904	98,251	5,653
Miscellaneous Purchased Services	116,352	(5,803)	110,549	110,549	-
General Supplies	10,385	-	10,385	8,425	1,960
BOE In-House Training/Meeting Supplies	1,097	-	1,097	832	265
Judgments Against the School District	1,257,598	-	1,257,598	1,257,598	-
Miscellaneous Expenditures	45,928	33,366	79,294	69,917	9,377
BOE Membership Dues and Fees	27,793	270	28,063	28,063	-
Total Support Services General Administration	3,274,569	(292,069)	2,982,500	2,850,707	131,793
Support Services School Administration					
Salaries of Principals/Asst. Principals	3,291,464	460,220	3,751,684	3,748,061	3,623
Salaries of Secretarial and Clerical Assistants	1,139,475	(32,997)	1,106,478	1,102,007	4,471
Other Purchased Services	47,675	(27,505)	20,170	18,471	1,699
Supplies and Materials	259,112	(111,579)	147,533	131,439	16,094
Other Objects	40,099	1,751	41,850	30,323	11,527
Total Support Services School Administration	4,777,825	289,890	5,067,715	5,030,301	37,414
Central Services					
Salaries	552,155	65,000	617,155	610,598	6,557
Purchased Professional Services	43,950	(4,600)	39,350	39,018	332
Purchased Technical Services	5,322	(5,322)	-	-	-
Supplies and Materials	16,385	122	16,507	15,302	1,205
Interest on Current Loans	299,167	-	299,167	299,167	-
Miscellaneous Expenditures	3,575	-	3,575	2,309	1,266
Total Central Services	920,554	55,200	975,754	966,394	9,360
Admin. Info. Technology					
Salaries	500,356	(1,000)	499,356	497,697	1,659
Purchased Professional Services	2,979	(2,979)	-	-	-
Total Admin. Info. Technology	503,335	(3,979)	499,356	497,697	1,659
Required Maintenance for School Facilities					
Salaries	1,279,472	89,660	1,369,132	1,362,012	7,120
Cleaning, Repair and Maintenance Services	414,400	220,264	634,664	598,346	36,318
General Supplies	160,000	157,974	317,974	211,934	106,040
Total Required Maint. for School Facilities	1,853,872	467,898	2,321,770	2,172,292	149,478
Custodial Services					
Salaries	2,636,903	125,734	2,762,637	2,682,877	79,760
Other Purchased Property Services	66,867	5,750	72,617	57,550	15,067
Insurance	355,462	(24,713)	330,749	330,749	-
General Supplies	146,535	20,849	167,384	162,464	4,920
Energy (Electricity)	728,764	(5,000)	723,764	682,124	41,640
Energy (Natural Gas)	527,023	(129,250)	397,773	357,370	40,403
Other Objects	30,410	(4,608)	25,802	25,377	425
Total Custodial Services	4,491,964	(11,238)	4,480,726	4,298,511	182,215
Care and Upkeep of Grounds					
Salaries	57,788	85,384	143,172	143,172	-
Total Care and Upkeep of Grounds	57,788	85,384	143,172	143,172	-
Security					
Salaries	264,353	-	264,353	219,931	44,422
Total Security	264,353	-	264,353	219,931	44,422

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Special Ed.	\$ 498,244	\$ (47,477)	\$ 450,767	\$ 399,809	\$ 50,958
Salaries for Pupil Transportation (Other Than Between and School)	49,500	10,107	59,607	52,370	7,237
Cleaning, Repair & Maint. Services	73,267	61,615	134,882	116,747	18,135
Contracted Services (Between Home and School) Vendors	1,047,784	(199,985)	847,799	809,951	37,848
Contracted Services (Other than Between Home and School) - Vendors	6,230	-	6,230	357	5,873
Misc. Purchased Services- Transportation	4,598	9,950	14,548	7,474	7,074
General Supplies	591	50	641	604	37
Transportation Supplies	1,113	-	1,113	1,099	14
Total Student Transportation Services	<u>1,681,327</u>	<u>(165,740)</u>	<u>1,515,587</u>	<u>1,388,411</u>	<u>127,176</u>
Unallocated Benefits					
Group Insurance	19,717	(990)	18,727	16,463	2,264
Social Security Contribution	1,307,632	(91,975)	1,215,657	1,065,406	150,251
Other Retirement Contributions - PERS	1,004,576	(28,628)	975,948	975,948	-
Other Retirement Contributions - Regular (DCRP)	-	55,500	55,500	49,596	5,904
Unused Sick Payments/Retired Staff	1,149,935	52,642	1,202,577	1,202,577	-
Worker's Compensation	626,332	(17,083)	609,249	609,249	-
Health Benefits	12,207,964	(1,203,651)	11,004,313	10,538,686	465,627
Tuition Reimbursement	51,000	-	51,000	28,469	22,531
Total Unallocated Benefits	<u>16,367,156</u>	<u>(1,234,185)</u>	<u>15,132,971</u>	<u>14,486,394</u>	<u>646,577</u>
On Behalf TPAF (Non Budgeted)					
NCGI Premium	-	-	-	152,416	(152,416)
Pension Contribution	-	-	-	4,206,624	(4,206,624)
Long Term Disability Contribution	-	-	-	9,663	(9,663)
Post Retirement Medical Contributions	-	-	-	3,632,071	(3,632,071)
Social Security Contribution	-	-	-	2,792,876	(2,792,876)
Total TPAF Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,793,650</u>	<u>(10,793,650)</u>
Total Undistributed Expenditures	<u>43,177,190</u>	<u>(544,295)</u>	<u>42,632,895</u>	<u>51,999,988</u>	<u>(9,367,093)</u>
Transfer of Funds to Charter Schools	1,213,065	1,924,925	3,137,990	3,137,311	679
Total Current Expenditures	<u>82,560,804</u>	<u>126,246</u>	<u>82,687,050</u>	<u>91,405,688</u>	<u>(8,718,638)</u>
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	1,000	-	1,000	-	1,000
Equipment					
Undistributed Expenditures					
Grades 9-12 Equipment	-	577,660	577,660	-	577,660
Total Equipment	<u>-</u>	<u>577,660</u>	<u>577,660</u>	<u>-</u>	<u>577,660</u>
Facilities Acquisition and Construction Services					
Lease Purchase Agreements	862,000	-	862,000	852,345	9,655
Construction Services	-	182,247	182,247	-	182,247
Assessment for Debt Service on SDA Funding	194,876	-	194,876	194,876	-
Total Facilities Acquis. and Const. Services	<u>1,056,876</u>	<u>182,247</u>	<u>1,239,123</u>	<u>1,047,221</u>	<u>191,902</u>
Total Capital Outlay	<u>1,057,876</u>	<u>759,907</u>	<u>1,817,783</u>	<u>1,047,221</u>	<u>770,562</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
SPECIAL SCHOOLS					
Adult Education - Local - Instruction					
Salaries of Teachers	\$ 27,339	\$ -	\$ 27,339	\$ 23,583	\$ 3,756
Purchased Professional and Technical Services	13,676	(2,800)	10,876	10,106	770
General Supplies	19,123	2,800	21,923	19,764	2,159
Total Adult Education - Local - Instruction	60,138	-	60,138	53,453	6,685
Total Special Schools	60,138	-	60,138	53,453	6,685
Total Expenditures	83,678,818	886,153	84,564,971	92,506,362	(7,941,391)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,342,854)	(886,153)	(2,229,007)	1,341,542	3,570,549
Other Financing Sources (Uses)					
Operating Transfers Out-Food Service	(298,310)	(26,168)	(324,478)	(323,214)	1,264
Operating Transfers Out - Capital Projects Fund		(8,300,000)	(8,300,000)	(8,300,000)	
Operating Transfers In - Capital Projects Fund				406,717	406,717
Capital Lease Proceeds	-	-	-	288,859	288,859
Total Other Financing Sources (Uses)	(298,310)	(8,326,168)	(8,624,478)	(7,927,638)	696,840
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	(1,641,164)	(9,212,321)	(10,853,485)	(6,586,096)	4,267,389
Fund Balances, Beginning of Year	12,888,765	-	12,888,765	12,888,765	-
Fund Balances, End of Year	<u>\$ 11,247,601</u>	<u>\$ (9,212,321)</u>	<u>\$ 2,035,280</u>	<u>\$ 6,302,669</u>	<u>\$ 4,267,389</u>
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 2,368,729	
Adult Education Program				53,876	
Excess Surplus				19,104	
Excess Surplus Designated for Subsequent Year's Budget				482,308	
Committed					
Encumbrances				764,842	
Assigned					
Designated for Subsequent Year's Budget				58,559	
Encumbrances				598,391	
Unassigned				1,956,860	
Fund Balance Per Governmental Funds (Budgetary)				6,302,669	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Not Recognized on GAAP Basis (June 30, 2017)				(3,433,031)	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 2,869,638</u>	

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-2

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
State Sources	\$ 1,113,174	\$ 29,554	\$ 1,142,728	\$ 1,054,972	\$ (87,756)
Local Sources		13,572	13,572	13,538	(34)
Federal Sources	<u>2,760,410</u>	<u>517,978</u>	<u>3,278,388</u>	<u>3,095,680</u>	<u>(182,708)</u>
Total Revenues	<u>3,873,584</u>	<u>561,104</u>	<u>4,434,688</u>	<u>4,164,190</u>	<u>(270,498)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,990,546	(520,306)	1,470,240	1,442,972	27,268
Other Salaries for Instruction	80,858	146,858	227,716	213,160	14,556
Purchased Prof. and Tech. Svcs.	68,434	(3,706)	64,728	31,272	33,456
Tuition	1,185,229	101,665	1,286,894	1,286,894	-
General Supplies	10,000	222,125	232,125	182,508	49,617
Textbooks	3,737	1,681	5,418	5,418	-
Other Objects	-	465	465	465	-
Total Instruction	<u>3,338,804</u>	<u>(51,218)</u>	<u>3,287,586</u>	<u>3,162,689</u>	<u>124,897</u>
Support Services					
Salaries of Program Directors	238,541	(167,917)	70,624	55,082	15,542
Salaries of Other Professional Staff		14,239	14,239	8,059	6,180
Salaries of Secretarial and Clerical Asst.		32,474	32,474	31,370	1,104
Other Salaries	-	36,406	36,406	27,384	9,022
Salaries of Parent Involvement		6,000	6,000	1,824	4,176
Salaries of Master Teacher	112,979	(1,828)	111,151	110,727	424
Personal Services - Employee Benefits	167,760	425,654	593,414	566,930	26,484
Purchased Prof./Educ. Svcs.	6,885	163,454	170,339	132,829	37,510
Purchased Educ. Svcs.- Contracted PreK	2,500	-	2,500	-	2,500
Travel	500	(410)	90	90	-
Other Purchased Services		60,531	60,531	20,827	39,704
Supplies and Materials	3,913	30,256	34,169	31,214	2,955
Other Objects	-	1,200	1,200	1,200	-
Total Support Services	<u>533,078</u>	<u>600,059</u>	<u>1,133,137</u>	<u>987,536</u>	<u>145,601</u>
Facilities Acquisition and Const. Serv.					
Instructional Equipment	1,702	12,263	13,965	13,965	-
Non Instructional Equipment	-	-	-	-	-
Total Facilities Acq. and Const. Serv.	<u>1,702</u>	<u>12,263</u>	<u>13,965</u>	<u>13,965</u>	<u>-</u>
Total Expenditures	<u>3,873,584</u>	<u>561,104</u>	<u>4,434,688</u>	<u>4,164,190</u>	<u>270,498</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KEARNY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Revenues (budgetary basis)	(C-1) \$ 93,847,904	(C-2) \$ 4,164,190
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2016)	3,355,451	
State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2017)	(3,433,031)	
Encumbrances are reported in the year the order is placed for budgetary purposes, but in the year the goods are received or the services are rendered for GAAP financial reporting purposes		
Encumbrances, June 30, 2017	-	(3,000)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>93,770,324</u>	\$ <u>4,161,190</u>
Uses/Outflows of Resources		
Actual Expenditures (budgetary basis)	(C-1) \$ 92,506,362	(C-2) \$ 4,164,190
Encumbrances are reported in the year the order is placed for budgetary purposes, but in the year the goods are received or the services are rendered for GAAP financial reporting purposes		
Encumbrances, June 30, 2017	-	(3,000)
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>92,506,362</u>	(B-2) \$ <u>4,161,190</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Four Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.10943%	0.10849%	0.10900%	0.09978%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 32,410,578</u>	<u>\$ 24,354,535</u>	<u>\$ 20,406,935</u>	<u>\$ 19,070,856</u>
District's Covered-Employee Payroll	<u>\$ 7,285,913</u>	<u>\$ 7,287,542</u>	<u>\$ 7,411,246</u>	<u>\$ 7,268,063</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	444.84%	334.19%	275.35%	262.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 972,177	\$ 932,750	\$ 898,543	\$ 751,858
Contributions in Relation to the Contractually Required Contributions	<u>972,177</u>	<u>932,750</u>	<u>898,543</u>	<u>751,858</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 7,285,913</u>	<u>\$ 7,287,542</u>	<u>\$ 7,411,246</u>	<u>\$ 7,268,063</u>
Contributions as a Percentage of Covered-Employee Payroll	13.34%	12.80%	12.12%	10.34%

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

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

TEACHERS' PENSION AND ANNUITY FUND

Last Four Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the District	<u>313,542,609</u>	<u>245,563,648</u>	<u>202,685,459</u>	<u>196,772,632</u>
Total	<u>\$ 313,542,609</u>	<u>\$ 245,563,648</u>	<u>\$ 202,685,459</u>	<u>\$ 196,772,632</u>
District's Covered-Employee Payroll	<u>\$ 39,310,251</u>	<u>\$ 39,284,711</u>	<u>\$ 39,625,977</u>	<u>\$ 38,007,372</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

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

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

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

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

SPECIAL REVENUE FUND

KEARNY BOARD OF EDUCATION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind (NCLB)				Carl D. Perkins	IDEA		Sub-Total Page 2	Grand Total
	Title I	Title II-A	Title III	Title III Immigrant		Basic	Preschool		
REVENUES									
Intergovernmental									
State								\$ 1,054,972	\$ 1,054,972
Local								13,538	13,538
Federal	\$ 1,510,125	\$ 117,190	\$ 45,806	\$ 14,643	\$ 56,689	\$ 1,322,974	\$ 28,253	-	3,095,680
Total Revenues	1,510,125	117,190	45,806	14,643	56,689	1,322,974	28,253	1,068,510	4,164,190
EXPENDITURES									
Instruction									
Salaries of Teachers	937,425	75,066						430,481	1,442,972
Other Salaries for Instruction	120,064		12,739					80,357	213,160
Purchased Prof. and Technical Services	3,235		3,396	1,020	1,880			21,741	31,272
Tuition						1,258,641	28,253		1,286,894
General Supplies	81,142		20,692	12,323	43,288	13,738		11,325	182,508
Textbooks								5,418	5,418
Other Objects	465	-	-	-	-	-	-	-	465
Total Instruction	1,142,331	75,066	36,827	13,343	45,168	1,272,379	28,253	549,322	3,162,689
Support Services									
Salaries of Supervisors/Program Directors	3,800							51,282	55,082
Salaries of Other Prof. Staff						8,059			8,059
Salaries of Secretarial & Clerical Asst.								31,370	31,370
Other Salaries								27,384	27,384
Salaries of Parent Involvement	1,824		-	-					1,824
Salaries of Master Teacher		3,172						107,555	110,727
Personal Svcs-Employee Benefits	358,979	38,385	-	-		860		168,706	566,930
Purchased Prof. and Technical Services	-	-	-	-		34,825		98,004	132,829
Travel								90	90
Other Purchased Services	2,722	567	2,893			4,974		9,671	20,827
Supplies and Materials	469		6,086	1,300		1,877		21,482	31,214
Other Objects	-	-	-	-	-	-	-	1,200	1,200
Total Support Services	367,794	42,124	8,979	1,300	-	50,595	-	516,744	987,536
Facilities Acq. and Construction									
Instructional Equip.					11,521			2,444	13,965
Non Instructional Equip.									
Total Facilities Acq. & Constr.					11,521			2,444	13,965
Total Expenditures	1,510,125	117,190	45,806	14,643	56,689	1,322,974	28,253	1,068,510	4,164,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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KEARNY BOARD OF EDUCATION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Donations	SYBSPG	Chapter 192/193 Services							Preschool Education Aid	Sub-Total to Page 1	
			Nonpublic Nursing Services	Nonpublic Textbooks	Nonpublic Technology	Nonpublic Security	Compensatory Education	Supplemental Instruction	Exam & Classification			Corrective Speech
REVENUES												
Intergovernmental												
State		\$ 254,728	\$ 9,276	\$ 5,418	\$ 2,444	\$ 5,400	\$ 10,133	\$ 3,610	\$ 3,904	\$ 4,094	\$ 755,965	\$ 1,054,972
Local	\$ 13,538											13,538
Federal												
Total Revenues	13,538	254,728	9,276	5,418	2,444	5,400	10,133	3,610	3,904	4,094	755,965	1,068,510
EXPENDITURES												
Instruction												
Salaries of Teachers											430,481	430,481
Other Salaries for Instruction											80,357	80,357
Purchased Prof. and Technical Services							10,133	3,610	3,904	4,094		21,741
General Supplies	3,000										8,325	11,325
Textbooks				5,418								5,418
Other Objects												
Total Instruction	3,000			5,418			10,133	3,610	3,904	4,094	519,163	549,322
Support Services												
Salaries of Supervisors/Program Directors		51,282										51,282
Salaries of Other Prof. Staff												
Salaries of Secretarial & Clerical Asst.		31,370										31,370
Other Salaries	342	27,042										27,384
Salaries of Master Teacher											107,555	107,555
Personal Svcs-Employee Benefits		40,946									127,760	168,706
Purchased Prof./Educ. Svcs.		90,627	7,377									98,004
Travel		90										90
Other Purchased Services		9,671										9,671
Supplies and Materials	10,196	2,500	1,899			5,400					1,487	21,482
Other Objects		1,200										1,200
Total Support Services	10,538	254,728	9,276			5,400					236,802	516,744
Facilities Acq. and Construction												
Instructional Equip.					2,444							2,444
Non Instructional Equip.												
Total Facilities Acq. & Constr.					2,444							2,444
Total Expenditures	13,538	254,728	9,276	5,418	2,444	5,400	10,133	3,610	3,904	4,094	755,965	1,068,510
Excess (Deficiency) of Revenues Over (Under) Expenditures												
Fund Balance, Beginning of Year												
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
Instruction					
Salaries of Teachers	\$ 415,365	\$ 34,633	\$ 449,998	\$ 430,481	\$ 19,517
Other Salaries for Instruction	80,858	10,365	91,223	80,357	10,866
General Supplies	10,000	1,015	11,015	8,325	2,690
Total Instruction	506,223	46,013	552,236	519,163	33,073
Support Services					
Salaries of Master Teachers	112,979	(5,000)	107,979	107,555	424
Personal Services - Employee Benefits	167,760	(40,000)	127,760	127,760	-
Purchased Ed Services - Contracted Pre K	2,500	-	2,500		2,500
Travel	500	(500)	-		-
Supplies and Materials	2,000	(513)	1,487	1,487	-
Total Support Services	285,739	(46,013)	239,726	236,802	2,924
Total Expenditures	\$ 791,962	\$ -	\$ 791,962	\$ 755,965	\$ 35,997

Calculation of Budget Carryover

Total Revised 2016-2017 Preschool Education Aid Allocation	\$ 347,985
Add:	
Actual Preschool Education Carryover (June 30, 2016)	144,340
Actual Early Childhood Program Aid Carryover	<u>1,167,378</u>
 Total Preschool Education Aid Funds Available for 2016-2017 Budget	 1,659,703
Less: 2016-2017 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	 <u>791,962</u>
 Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	 867,741
Add: June 30, 2017 Unexpended Preschool Education Aid	<u>35,997</u>
 2016-2017 Carryover - Preschool Education Aid /Preschool Programs	 <u>\$ 903,738</u>
 2016-2017 Preschool Education Aid Carryover Budgeted in 2017-2018	 <u>\$ 1,311,718</u>

CAPITAL PROJECTS FUND

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Amount Authorized</u>	<u>Adjustments</u>	<u>Modified Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2017</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Port Authority of NY and NJ Projects:						
Aircraft Noise Abatement - Lincoln School	\$ 17,449,305	\$ 2,212,053	\$ 19,661,358	\$ 19,661,358		
Aircraft Noise Abatement - Kearny High School	44,039,788	12,420,000	56,459,788	27,852,624	\$ 20,369,173	\$ 8,237,991
Kearny High School - Facade Project	6,083,708		6,083,708	5,970,247		113,461
Franklin School Annex and Board of Education Offices	3,044,211	35,806	3,080,017	3,080,017		-
Alterations to Franklin Elementary School	<u>636,750</u>	<u>(585,056)</u>	<u>51,694</u>	<u>47,860</u>	<u>-</u>	<u>3,834</u>
	<u>\$ 71,253,762</u>	<u>\$ 14,082,803</u>	<u>\$ 85,336,565</u>	<u>\$ 56,612,106</u>	<u>\$ 20,369,173</u>	<u>\$ 8,355,286</u>
Unexpended Project Authorizations						\$ 8,355,286
Add: Reserve for Payment of Debt Service						<u>26,109</u>
Fund Balance (Budgetary Basis)						<u>\$ 8,381,395</u>
<u>Analysis of Restricted Fund Balance:</u>						
						\$ 8,090,858
Encumbrances						26,109
Reserve for Debt Service						<u>264,428</u>
Reserve for Capital Projects						
Fund Balance, Budgetary Basis						8,381,395
Unearned Revenue						<u>(66,554)</u>
Fund Balance, GAAP Basis						<u>\$ 8,314,841</u>

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources

Transfers from Capital Reserve	\$ 8,300,000
Interest on Investments	166
Interest on Lease Purchase Proceeds	<u>11,692</u>

Total Revenues	<u>8,311,858</u>
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Expenditures and Other Financing Uses

Facilities Acquisition and Construction Services	19,591,489
Purchased Professional and Technical Services	777,684
Transfer to General Fund - Unexpended Project Balance Cancelled	406,551
Transfer to General Fund	<u>166</u>

Total Expenditures and Other Financing Uses	<u>20,775,890</u>
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Excess (Deficiency) of Revenue Over (Under) Expenditures	
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Other Financing Sources (Uses)	(12,464,032)
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Fund Balance, July 1, 2016	<u>20,845,427</u>
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Fund Balance, June 30, 2017	<u>\$ 8,381,395</u>
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Reconciliation to Governmental Funds Statements (GAAP Basis):

Fund Balance (Budgetary Basis)	\$ 8,381,395
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Less:

Unearned Revenue	<u>66,554</u>
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Fund Balance Per Governmental Funds (GAAP Basis)	<u>\$ 8,314,841</u>
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**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LINCOLN SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	\$ 10,557,105		\$ 10,557,105	\$ 10,557,105
Local Sources - Port Authority of NY/NJ	2,569,548		2,569,548	2,569,548
State Sources- SCC Grant	6,139,334		6,139,334	6,139,334
Transfer from General Fund	801,922	\$ (406,551)	395,371	395,371
	<u>20,067,909</u>	<u>(406,551)</u>	<u>19,661,358</u>	<u>19,661,358</u>
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	18,540,664		18,540,664	18,540,664
Purchased Professional and Technical Services	1,120,694	-	1,120,694	1,120,694
	<u>19,661,358</u>	<u>-</u>	<u>19,661,358</u>	<u>19,661,358</u>
Excess of Revenues Over Expenditures	<u>\$ 406,551</u>	<u>\$ (406,551)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	
FAA/Port Authority	EWR 99-04 & 113-07
SDA	2410-090-05-3000
Grant Date	August 9, 2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 17,449,305
Additional Authorized Cost	\$ 2,212,053
Revised Authorized Cost	\$ 19,661,358
Percentage Increase Over Original Authorized Cost	12.68%
Percentage Completion	100.00%
Original Target Completion Date	August 31, 2010
Revised Target Completion Date	September 30, 2011

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	\$ 21,145,025		\$ 21,145,025	\$ 21,145,025
Local Sources - Port Authority of NY/NJ	5,286,256		5,286,256	5,286,256
State Sources- SCC Grant	17,608,507		17,608,507	17,608,507
Capital Reserve		\$ 8,300,000	8,300,000	8,300,000
Lease Purchase Proceeds	<u>4,120,000</u>	<u>-</u>	<u>4,120,000</u>	<u>4,120,000</u>
 Total Revenues	 <u>48,159,788</u>	 <u>8,300,000</u>	 <u>56,459,788</u>	 <u>56,459,788</u>
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	19,904,820	19,591,489	39,496,309	47,709,788
Purchased Professional and Technical Services	<u>7,947,804</u>	<u>777,684</u>	<u>8,725,488</u>	<u>8,750,000</u>
 Total Expenditures	 <u>27,852,624</u>	 <u>20,369,173</u>	 <u>48,221,797</u>	 <u>56,459,788</u>
 Excess of Revenues Over Expenditures	 <u>\$ 20,307,164</u>	 <u>\$ (12,069,173)</u>	 <u>\$ 8,237,991</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	N/A
FAA/Port Authority	EWR 84-02 & 99-04
SDA	2410-050-04-3000
Grant Date	May 4, 2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 44,039,788
Additional Authorized Cost	\$ 12,420,000
Revised Authorized Cost	\$ 56,459,788

Percentage Increase Over Original Authorized Cost	28.20%
Percentage Completion	85.41%
Original Target Completion Date	October 31, 2013
Revised Target Completion Date	December 31, 2017

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - FAÇADE PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Additional Project Information:

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

Percentage Increase Over Original

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

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN ANNEX AND BOARD OF EDUCATION OFFICES
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 873,582		\$ 873,582	\$ 873,582
Transfer from Capital Outlay	2,206,435	-	2,206,435	2,206,435
	<u>3,080,017</u>	<u>-</u>	<u>3,080,017</u>	<u>3,080,017</u>
Expenditures and Other Financing Uses				
Land Acquisition	975,000		975,000	975,000
Facilities Acquisition and Construction Services	1,764,292		1,764,292	1,764,292
Purchased Professional and Technical Services	298,668	-	298,668	298,668
Other Objects	42,057	-	42,057	42,057
	<u>3,080,017</u>	<u>-</u>	<u>3,080,017</u>	<u>3,080,017</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	2410-X02-09-1002
Grant Date	July 29, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 3,044,211
Additional Authorized Cost	\$ 35,806
Revised Authorized Cost	\$ 3,080,017

Percentage Increase Over Original

Authorized Cost	1.18%
Percentage Completion	100.00%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	December 31, 2015

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 47,250		\$ 47,250	\$ 47,250
Transfer from Capital Outlay	4,444	-	4,444	4,444
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	51,694	-	51,694	51,694
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	26,360		26,360	27,287
Supplies and Materials	21,500	-	21,500	24,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	47,860	-	47,860	51,694
Excess of Revenues Over Expenditures	<u>\$ 3,834</u>	<u>\$ -</u>	<u>\$ 3,834</u>	<u>\$ -</u>

Additional Project Information:

Project Number	2410-079-09-2001
Grant Date	July 31, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 636,750
Additional Authorized Cost	\$ (585,056)
Revised Authorized Cost	\$ 51,694

Percentage Decrease Over Original Authorized Cost	-91.88%	(A)
Percentage Completion	92.58%	
Original Target Completion Date	September 30, 2011	
Revised Target Completion Date	August 31, 2014	

(A) Scope of project was reduced

ENTERPRISE FUND

**KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Agency</u>		<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS			
Cash and Cash Equivalents	\$ 347,769	\$ 460,863	\$ 808,632
Total Assets	<u>\$ 347,769</u>	<u>\$ 460,863</u>	<u>\$ 808,632</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 459,742	\$ 459,742
Due to Other Funds		1,121	1,121
Due to Student Groups	\$ 347,769	-	347,769
Total Liabilities	<u>\$ 347,769</u>	<u>\$ 460,863</u>	<u>\$ 808,632</u>

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>School</u>	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ELEMENTARY SCHOOLS				
Schuyler School	\$ 12,960	\$ 10,027	\$ 8,289	\$ 14,698
Franklin School	3,436	60,964	61,545	2,855
Garfield School	7,508	18,077	20,814	4,771
Lincoln School	6,603	10,300	12,279	4,624
Lincoln Student Council	2,675	4,185	3,894	2,966
Roosevelt School	6,221	30,210	28,887	7,544
Washington School	1,494	17,743	14,444	4,793
HIGH SCHOOL	264,690	346,999	311,739	299,950
ATHLETIC ACCOUNT	-	71,015	65,447	5,568
Total	<u>\$ 305,587</u>	<u>\$ 569,520</u>	<u>\$ 527,338</u>	<u>\$ 347,769</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ASSETS				
Cash and Cash Equivalents	\$ 580,823	\$ 59,528,113	\$ 59,648,073	\$ 460,863
Total Assets	<u>\$ 580,823</u>	<u>\$ 59,528,113</u>	<u>\$ 59,648,073</u>	<u>\$ 460,863</u>
LIABILITIES				
Due to Other Funds	\$ 1,121			\$ 1,121
Payroll Deductions and Withholdings	579,702	\$ 29,553,579	\$ 29,673,539	459,742
Accrued Salaries and Wages	-	29,974,534	29,974,534	-
Total Liabilities	<u>\$ 580,823</u>	<u>\$ 59,528,113</u>	<u>\$ 59,648,073</u>	<u>\$ 460,863</u>

LONG-TERM DEBT

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>					
School Bonds	7/15/07	12,725,000	7/15/2017	\$ 950,000	4.25%	\$ 1,900,000		\$ 950,000	\$ 950,000
Refunding Bonds	4/23/15	6,740,000	7/15/2017	180,000	3.00%				
			7/15/2018	1,135,000	4.00%				
			7/15/2019	1,135,000	4.00%				
			7/15/2020	1,140,000	4.00%				
			7/15/2021	1,140,000	4.00%				
			7/15/2022	1,140,000	4.00%				
			7/15/2023	205,000	4.00%				
			7/15/2024	210,000	4.00%				
			7/15/2025	215,000	4.00%				
						<u>6,680,000</u>	<u>-</u>	<u>180,000</u>	<u>6,500,000</u>
						<u>\$ 8,580,000</u>	<u>\$ -</u>	<u>\$ 1,130,000</u>	<u>\$ 7,450,000</u>

**KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Year</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2017</u>
2014	Acquisition of Computers	10.00%	\$ 394,437	\$ 258,761		\$ 78,176	\$ 180,585
2015	Acquisition of Equipment		4,120,000	4,120,000		833,929	3,286,071
2017	Acquisition of Equipment	5.65%	288,859	-	\$ 288,859	101,620	187,239
				<u>\$ 4,378,761</u>	<u>\$ 288,859</u>	<u>\$ 1,013,725</u>	<u>\$ 3,653,895</u>

**KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Property Tax Levy	\$ 1,048,757		\$ 1,048,757	\$ 1,048,757	
State Aid	402,706	-	402,706	402,706	-
Total Revenues	<u>1,451,463</u>	<u>-</u>	<u>1,451,463</u>	<u>1,451,463</u>	<u>-</u>
EXPENDITURES:					
Debt Service:					
Principal	1,130,000		1,130,000	1,130,000	
Interest	321,463	-	321,463	321,463	\$ -
Total Expenditures	<u>1,451,463</u>	<u>-</u>	<u>1,451,463</u>	<u>1,451,463</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 25,875,674	\$ 37,617,030	\$ 41,531,599	\$ 41,472,141	\$ 45,417,929	\$ 51,589,542	\$ 55,485,780	\$ 55,491,651	\$ 57,535,963	\$ 72,979,220
Restricted	1,829,106	3,806,116	1,809,371	4,672,748	5,732,390	5,735,972	8,219,684	8,845,240	11,257,150	2,394,838
Unrestricted	<u>(12,834,896)</u>	<u>(11,398,905)</u>	<u>(12,222,825)</u>	<u>(13,157,518)</u>	<u>(12,149,242)</u>	<u>(9,139,337)</u>	<u>(12,134,343)</u>	<u>(31,918,631)</u>	<u>(36,900,137)</u>	<u>(26,682,224)</u>
Total Governmental Activities Net Position	<u>\$ 14,869,884</u>	<u>\$ 30,024,241</u>	<u>\$ 31,118,145</u>	<u>\$ 32,987,371</u>	<u>\$ 39,001,077</u>	<u>\$ 48,186,177</u>	<u>\$ 51,571,121</u>	<u>\$ 32,418,260</u>	<u>\$ 31,892,976</u>	<u>\$ 48,691,834</u>
Business-Type Activities										
Invested in Capital Assets	\$ 60,039	\$ 68,646	\$ 132,614	\$ 138,942	\$ 124,308	\$ 110,288	\$ 97,047	\$ 122,355	\$ 107,215	\$ 98,898
Unrestricted	<u>116,789</u>	<u>162,620</u>	<u>199,518</u>	<u>263,540</u>	<u>254,822</u>	<u>320,381</u>	<u>372,232</u>	<u>422,604</u>	<u>504,341</u>	<u>512,185</u>
Total Business-Type Activities Net Position	<u>\$ 176,828</u>	<u>\$ 231,266</u>	<u>\$ 332,132</u>	<u>\$ 402,482</u>	<u>\$ 379,130</u>	<u>\$ 430,669</u>	<u>\$ 469,279</u>	<u>\$ 544,959</u>	<u>\$ 611,556</u>	<u>\$ 611,083</u>
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 25,935,713	\$ 37,685,676	\$ 41,664,213	\$ 41,611,083	\$ 45,542,237	\$ 51,699,830	\$ 55,582,827	\$ 55,614,006	\$ 57,643,178	\$ 73,078,118
Restricted	1,829,106	3,806,116	1,809,371	4,672,748	5,732,390	5,735,972	8,219,684	8,845,240	11,257,150	2,394,838
Unrestricted	<u>(12,718,107)</u>	<u>(11,236,285)</u>	<u>(12,023,307)</u>	<u>(12,893,978)</u>	<u>(11,894,420)</u>	<u>(8,818,956)</u>	<u>(11,762,111)</u>	<u>(31,496,027)</u>	<u>(36,395,796)</u>	<u>(26,170,039)</u>
Total District Net Position	<u>\$ 15,046,712</u>	<u>\$ 30,255,507</u>	<u>\$ 31,450,277</u>	<u>\$ 33,389,853</u>	<u>\$ 39,380,207</u>	<u>\$ 48,616,846</u>	<u>\$ 52,040,400</u>	<u>\$ 32,963,219</u>	<u>\$ 32,504,532</u>	<u>\$ 49,302,917</u>

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 41,119,163	\$ 39,548,344	\$ 41,381,868	\$ 41,126,178	\$ 42,713,090	\$ 43,266,636	\$ 45,504,197	\$ 50,637,282	\$ 55,352,833	\$ 60,448,695
Special Education	8,811,849	9,015,324	10,695,914	11,313,129	10,843,661	11,478,294	11,402,060	13,900,553	15,560,078	16,652,103
Other Instruction	4,975,092	4,345,429	4,107,288	3,252,330	3,294,184	2,845,253	2,740,285	2,920,309	3,357,362	3,890,809
School Sponsored Activities and Athletics	1,590,926	1,215,318	1,300,510	1,281,841	1,250,104	1,261,789	1,310,483	1,376,895	1,509,284	1,586,879
Support Services:										
Student & Instruction Related Services	6,388,365	6,675,551	7,692,297	7,113,169	7,780,424	7,926,025	8,050,400	8,764,376	8,959,592	9,191,340
General Administration	2,185,860	2,258,577	2,271,974	2,423,076	2,779,422	2,439,406	2,946,412	2,832,130	2,697,713	3,644,098
School Administrative Services	4,525,087	4,354,414	4,632,528	6,238,956	6,316,539	6,376,930	6,819,361	7,530,457	8,526,918	9,453,530
Plant Operations and Maintenance	7,815,400	8,796,229	8,804,501	8,712,127	8,569,081	9,007,440	8,984,044	9,643,413	10,038,580	10,068,434
Pupil Transportation	1,286,523	1,361,355	1,404,217	1,315,732	1,373,763	1,480,516	1,500,332	1,698,164	1,790,536	1,738,152
Business/Central Services	1,086,791	1,204,114	1,195,456	1,208,264	1,631,181	1,657,053	1,672,507	2,021,459	2,189,236	2,424,248
Interest on Long-Term Debt	834,689	530,336	560,215	702,608	704,128	628,207	654,180	681,281	545,646	503,873
Total Governmental Activities Expenses	80,619,745	79,304,991	84,046,768	84,687,410	87,255,577	88,367,549	91,584,261	102,006,319	110,527,778	119,602,161
Business-Type Activities:										
Food Service	1,683,837	1,779,829	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004	2,239,874	2,052,524
Total Business-Type Activities Expense	1,683,837	1,779,829	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004	2,239,874	2,052,524
Total District Expenses	\$ 82,303,582	\$ 81,084,820	\$ 86,164,636	\$ 86,475,825	\$ 89,295,249	\$ 90,455,037	\$ 93,657,589	\$ 104,150,323	\$ 112,767,652	\$ 121,654,685
Program Revenues										
Governmental Activities:										
Charges for Services:										
Other Instruction/Special Schools	\$ 58,500	\$ 51,000	\$ 142,122	\$ 60,439	\$ 65,897	\$ 65,134	\$ 59,563	\$ 50,462	\$ 65,058	\$ 48,770
Tuition									10,305	5,884
Operating Grants and Contributions	18,696,110	13,634,556	19,210,879	14,474,765	15,540,976	16,080,166	15,152,252	25,265,538	30,490,718	38,809,517
Capital Grants and Contributions	3,837,724	12,131,626	2,558,285	1,227,985	5,925,681	8,239,865	5,734,925	2,034,553	2,695,140	18,130,074
Total Governmental Activities Program Revenues	22,592,334	25,817,182	21,911,286	15,763,189	21,532,554	24,385,165	20,946,740	27,350,553	33,261,221	56,994,245
Business-Type Activities:										
Charges for Services										
Food Service	430,157	427,416	416,267	461,515	494,235	468,029	482,377	448,935	485,056	462,487
Operating Grants and Contributions	738,971	808,825	1,071,208	1,093,172	1,215,030	1,259,394	1,316,125	1,262,487	1,311,989	1,266,350
Total Business Type Activities Program Revenues	1,169,128	1,236,241	1,487,475	1,554,687	1,709,265	1,727,423	1,798,502	1,711,422	1,797,045	1,728,837
Total District Program Revenues	\$ 23,761,462	\$ 27,053,423	\$ 23,398,761	\$ 17,317,876	\$ 23,241,819	\$ 26,112,588	\$ 22,745,242	\$ 29,061,975	\$ 35,058,266	\$ 58,723,082
Net (Expense)/Revenue										
Governmental Activities	\$ (58,027,411)	\$ (53,487,809)	\$ (62,135,482)	\$ (68,924,221)	\$ (65,723,023)	\$ (63,982,384)	\$ (70,637,521)	\$ (74,655,766)	\$ (77,266,557)	\$ (62,607,916)
Business-Type Activities	(514,709)	(543,588)	(630,393)	(233,728)	(330,407)	(360,065)	(274,826)	(432,582)	(442,829)	(323,687)
Total District-Wide Net Expense	\$ (58,542,120)	\$ (54,031,397)	\$ (62,765,875)	\$ (69,157,949)	\$ (66,053,430)	\$ (64,342,449)	\$ (70,912,347)	\$ (75,088,348)	\$ (77,709,386)	\$ (62,931,603)

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes	43,537,336	43,537,336	\$ 43,537,336	\$ 45,278,829	\$ 45,278,829	\$ 45,595,029	\$ 45,759,751	\$ 46,217,348	\$ 47,944,682	\$ 50,681,091
Property Taxes, Debt Service	481,842	885,380	859,576	1,198,201	248,902	740,251	1,129,457	1,119,817	1,070,232	1,048,757
Federal and State Aid - Unrestricted	17,259,183	23,011,234	17,788,033	23,666,188	24,870,776	26,004,915	26,552,231	26,699,788	26,701,899	26,862,187
State Aid- Restricted for Debt Service	102,727	385,172	398,351	482,078	469,498	456,918	444,338	439,684	425,956	402,706
Donation of Capital Assets						9,000	-	21,500		
Loss on Disposition of Assets	(52,394)				(6,825)					
Investment Earnings	1,236,473	251,685	18,970	86,534	70,842	26,671	22,752	25,289	26,871	36,314
Miscellaneous Income	761,030	1,169,385	1,358,379	385,695	1,111,762	746,304	427,372	558,597	1,081,059	698,933
Transfers	(531,596)	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	(313,436)	(508,262)	(509,426)	(323,214)
Total Governmental Activities	62,794,601	68,642,166	63,229,386	70,793,447	71,736,729	73,167,484	74,022,465	74,573,761	76,741,273	79,406,774
Business-Type Activities:										
Investment Earnings	3,340									
Transfers	531,596	598,026	731,259	304,078	307,055	411,604	313,436	508,262	509,426	323,214
Total Business-Type Activities	534,936	598,026	731,259	304,078	307,055	411,604	313,436	508,262	509,426	323,214
Total District-Wide	\$ 63,329,537	\$ 69,240,192	\$ 63,960,645	\$ 71,097,525	\$ 72,043,784	\$ 73,579,088	\$ 74,335,901	\$ 75,082,023	\$ 77,250,699	\$ 79,729,988
Change in Net Position										
Governmental Activities	\$ 4,767,190	\$ 15,154,357	\$ 1,093,904	\$ 1,869,226	\$ 6,013,706	\$ 9,185,100	\$ 3,384,944	\$ (82,005)	\$ (525,284)	\$ 16,798,858
Business-Type Activities	20,227	54,438	100,866	70,350	(23,352)	51,539	38,610	75,680	66,597	(473)
Total District	\$ 4,787,417	\$ 15,208,795	\$ 1,194,770	\$ 1,939,576	\$ 5,990,354	\$ 9,236,639	\$ 3,423,554	\$ (6,325)	\$ (458,687)	\$ 16,798,385

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 7,709,563	\$ 12,907,470	\$ 7,355,662							
Unreserved	420,989	(1,701,304)	(1,404,832)							
Nonspendable							\$ 222,232	\$ 111,116		
Restricted				\$ 4,758,608	\$ 8,034,102	\$ 8,691,054	9,856,929	9,467,872	\$ 9,202,878	\$ 2,924,017
Committed				541,544	131,791	180,361	529,245	423,991	309,878	764,842
Assigned				2,066,600	1,223,556	2,426,848	1,702,673	815,291	1,667,784	656,950
Unassigned	-	-	-	(1,293,550)	(1,470,132)	(1,684,780)	(1,709,765)	(1,652,334)	(1,647,226)	(1,476,171)
Total General Fund	\$ 8,130,552	\$ 11,206,166	\$ 5,950,830	\$ 6,073,202	\$ 7,919,317	\$ 9,613,483	\$ 10,601,314	\$ 9,165,936	\$ 9,533,314	\$ 2,869,638
All Other Governmental Funds										
Reserved	\$ 21,149,173	\$ 3,887,907	\$ 7,104,783							
Unreserved	(9,571,255)	1,876,411	(1,349,043)							
Restricted				\$ 4,183,257	\$ 2,007,465	\$ 1,550,311	\$ 1,044,460	\$ 499,958	\$ 2,648,799	\$ 8,314,841
Total All Other Governmental Funds	\$ 11,577,918	\$ 5,764,318	\$ 5,755,740	\$ 4,183,257	\$ 2,007,465	\$ 1,550,311	\$ 1,044,460	\$ 499,958	\$ 2,648,799	\$ 8,314,841

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

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property Tax Levy	\$ 44,019,178	\$ 44,422,716	\$ 44,396,912	\$ 46,477,030	\$ 45,527,731	\$ 46,335,280	\$ 46,889,208	\$ 47,337,165	\$ 49,014,914	\$ 51,729,848
Miscellaneous	2,566,100	2,614,236	1,825,583	555,657	1,865,664	1,836,842	1,154,656	884,872	1,533,890	2,977,437
State Sources	34,632,895	38,183,673	29,710,039	35,396,441	39,136,676	42,912,761	41,732,329	41,184,480	43,404,790	50,709,284
Federal Sources	4,752,752	9,844,679	9,939,397	4,431,586	7,053,092	6,870,370	5,506,448	4,198,681	4,755,582	12,108,340
Total Revenues	85,970,925	95,065,304	85,871,931	86,860,714	93,583,163	97,955,253	95,282,641	93,605,198	98,709,176	117,524,909
Expenditures										
Instruction										
Regular Instruction	39,375,784	37,748,212	39,656,866	38,493,481	39,842,839	40,812,892	41,780,251	42,565,681	43,909,681	45,962,757
Special Education Instruction	8,825,704	9,025,809	10,789,990	11,350,615	10,942,923	11,634,469	11,342,082	13,089,595	14,103,142	14,194,658
Other Instruction	4,988,725	4,353,943	4,175,519	3,274,259	3,353,977	2,914,201	2,717,321	2,618,113	2,843,504	3,028,862
School Sponsored Activities and Athletics	1,593,687	1,217,039	1,315,147	1,287,414	1,265,183	1,282,607	1,303,110	1,276,764	1,339,932	1,318,343
Support Services:										
Student and Inst. Related Services	6,396,500	6,685,513	7,783,452	7,132,255	7,877,266	8,060,790	7,975,682	8,107,689	7,904,892	7,507,417
General Administration	2,181,746	2,252,698	2,287,525	2,420,433	2,792,677	2,465,123	2,912,794	2,609,139	2,542,639	3,341,535
School Administrative Services	4,538,853	4,363,110	4,709,899	6,278,848	6,430,530	6,532,163	6,758,836	6,875,942	7,378,796	7,477,505
Plant Operations and Maintenance	7,828,585	8,804,436	8,901,577	8,744,355	8,663,650	9,151,095	8,921,168	9,556,186	9,576,584	8,949,747
Pupil Transportation	1,274,945	1,349,605	1,393,794	1,299,289	1,358,119	1,471,338	1,473,340	1,668,320	1,719,521	1,605,457
Business/Central Services	1,090,452	1,206,489	1,213,368	1,215,647	1,657,294	1,693,280	1,659,558	1,914,327	1,963,755	2,016,857
Capital Outlay	9,997,926	18,348,184	6,648,971	4,719,037	7,690,441	8,551,056	6,268,849	2,936,632	4,725,970	20,380,694
Debt Service:										
Principal	1,023,512	916,376	886,394	1,075,000	1,080,000	1,090,000	1,095,000	1,189,608	1,271,068	2,143,725
Interest and Other Charges	399,721	933,850	642,084	716,114	650,886	647,623	673,671	668,820	524,047	560,631
Cost of Issuance								108,484		
Total Expenditures	89,516,140	97,205,264	90,404,586	88,006,747	93,605,785	96,306,637	94,881,662	95,185,300	99,803,531	118,488,188
Excess (Deficiency) of Revenues over (under) Expenditures	(3,545,215)	(2,139,960)	(4,532,655)	(1,146,033)	(22,622)	1,648,616	400,979	(1,580,102)	(1,094,355)	(963,279)
Other Financing Sources (Uses)										
Premiums on Bonds/Notes								706,406		
Leases Purchase Proceeds							394,437		4,120,000	288,859
Bond/Refunding Bond Proceeds	12,725,000							6,740,000		
Payments to Escrow Agents								(7,337,922)		
Transfers In	387,150	853,881	2,742,349	343,504	1,445,496	916,198	583,738	504,834	67	8,706,717
Transfers Out	(918,746)	(1,451,907)	(3,473,608)	(647,582)	(1,752,551)	(1,327,802)	(897,174)	(1,013,096)	(509,493)	(9,029,931)
Total Other Financing Sources (Uses)	12,193,404	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	81,001	(399,778)	3,610,574	(34,355)
Net Change in Fund Balances	\$ 8,648,189	\$ (2,737,986)	\$ (5,263,914)	\$ (1,450,111)	\$ (329,677)	\$ 1,237,012	\$ 481,980	\$ (1,979,880)	\$ 2,516,219	\$ (997,634)
Debt Service as a Percentage of Noncapital Expenditures	1.79%	2.35%	1.82%	2.15%	2.01%	1.98%	2.00%	2.01%	1.89%	2.76%

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

Fiscal Year Ended June 30,	Interest Earned	Rentals	Adult School	Solar Energy Sales	Miscellaneous	Total
2008	\$ 1,117,966	\$ 55,815	\$ 58,500		\$ 705,215	\$ 1,937,496
2009	211,507	49,105	51,000		599,704	911,316
2010	18,479	50,825	67,000	\$ 999,800	382,876	1,518,980
2011	51,608	57,616	60,439		264,617	434,280
2012	44,780	56,237	65,897	629,376	391,849	1,188,139
2013	30,252	54,250	65,134	275,711	412,762	838,109
2014	22,752	43,293	59,563	161,289	222,790	509,687
2015	23,470	52,596	50,462	210,956	295,045	632,529
2016	26,871	36,462	65,058	310,678	744,224	1,183,293
2017	24,456	33,453	48,770	254,659	416,704	778,042

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Valuation	Total Direct School Tax Rate ^a
2008	\$ 16,229,700	\$ 669,910,300	\$ 104,347,400	\$ 243,826,800	\$ 34,666,300	\$ 1,068,980,500	\$ 2,101,056	\$ 1,071,081,556	\$ 4,105,333,676	\$ 4.128
2009	17,311,100	671,986,000	105,156,300	240,243,000	34,241,500	1,068,937,900	2,176,198	1,071,114,098	4,148,721,067	4.145
2010	18,430,500	672,502,400	105,147,200	233,907,300	34,198,500	1,064,185,900	2,410,654	1,066,596,554	3,956,951,460	4.262
2011	16,903,400	673,346,700	108,500,400	228,065,700	34,027,900	1,060,844,100	3,123,915	1,063,968,015	3,723,345,984	4.323
2012	16,583,100	674,244,400	108,131,200	226,154,800	34,003,900	1,059,117,400	3,211,348	1,062,328,748	3,468,973,947	4.324
2013	15,293,100	674,617,500	108,221,800	225,847,400	33,924,600	1,057,904,400	3,070,234	1,060,974,634	3,277,405,251	4.394
2014	14,078,200	675,822,900	112,403,000	215,090,300	33,487,200	1,050,881,600	2,743,918	1,053,625,518	3,272,805,570	4.472
2015	14,492,500	677,591,940	111,905,700	215,841,800	33,348,100	1,053,180,040	2,554,395	1,055,734,435	3,467,639,014	4.563
2016	13,551,600	678,291,340	114,196,600	212,596,300	33,738,200	1,052,374,040	2,597,073	1,054,971,113	3,621,562,461	4.775
2017	12,200,100	679,359,040	123,510,700	209,665,350	33,898,200	1,058,633,390	2,623,295	1,061,256,685	3,662,894,119	4.920

Source: County Abstract of Ratables

a - Tax rates are per \$100

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

Calendar Year	Overlapping Rates			Total Direct and Overlapping Tax Rate
	School	Municipality	County	
2008	\$ 4.128	\$ 3.156	\$ 1.492	\$ 8.776
2009	4.145	3.280	1.522	8.947
2010	4.262	3.387	1.522	9.171
2011	4.323	3.514	1.630	9.467
2012	4.324	3.603	1.691	9.618
2013	4.394	3.733	1.664	9.791
2014	4.472	3.872	1.692	10.036
2015	4.563	3.992	1.771	10.326
2016	4.775	4.058	1.836	10.669
2017	4.920	4.084	1.701	10.705

Source: County Abstract of Ratables

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

Taxpayer	2017		2008	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
RTC Properties, Inc.	\$ 30,993,200	2.92%	\$ 57,175,900	5.34%
PSE&G	21,819,500	2.06%	16,823,600	1.57%
Hugo Neu Kearny Development, LLC	13,310,500	1.25%		
Schuyler Crossing, LLC	12,618,600	1.19%		
AMB Alliance Fund III	11,000,000	1.04%	14,000,000	1.31%
DVL Holdings	6,658,200	0.63%		
Sunset Cahuenga			9,997,300	0.93%
Wal-Mart	9,264,200	0.87%	7,405,800	0.69%
APG New Jersey	8,500,000	0.80%		
Terror Associates, LLC	6,617,000	0.62%		
Hurricane Associates, LLC			8,000,000	0.75%
Orangewood Prop. LTD	5,633,500	0.53%	5,777,000	0.54%
Hartz Mountain Industries	4,700,000	0.44%	6,569,200	0.61%
Kearny Holding VF LLC	6,439,000	0.61%	5,965,800	0.56%
DaSilva	4,998,300	0.47%		
KPIP Urban Renewal, LLC	4,876,400	0.46%		
Central Ave Real Estate, LLC	4,700,000	0.44%		
Education & Health Center, Inc.			4,998,300	0.47%
Motor Carrier Corp.	-		4,890,600	0.46%
	<u>\$ 152,128,400</u>	<u>14.33%</u>	<u>\$ 141,603,500</u>	<u>13.22%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 44,019,178	\$ 44,019,178	100.00%	N/A
2009	44,422,716	44,422,716	100.00%	N/A
2010	44,396,912	44,396,912	100.00%	N/A
2011	46,477,030	46,477,030	100.00%	N/A
2012	45,527,731	45,527,731	100.00%	N/A
2013	46,335,280	46,335,280	100.00%	N/A
2014	46,889,208	46,889,208	100.00%	N/A
2015	47,337,165	47,234,598	99.78%	\$ 102,567
2016	49,014,914	49,005,110	99.98%	-
2017	51,729,848	51,729,848	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Total	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovern- mental Loans	Bond/Grant Anticipation Notes			
2008	\$ 16,322,000	\$ 786,971	\$ 37,729	\$ 21,072	\$ 4,000,000	\$ 21,167,772	36,818	\$ 575
2009	15,985,000	266,395	-	-	3,500,000	19,751,395	36,607	540
2010	15,365,000					15,365,000	36,544	420
2011	14,290,000				10,000,000	24,290,000	40,728	596
2012	13,210,000				10,000,000	23,210,000	41,351	561
2013	12,120,000				7,500,000	19,620,000	41,661	471
2014	11,025,000		394,437		15,000,000	26,419,437	41,946	630
2015	9,780,000		329,829		15,000,000	25,109,829	42,183	595
2016	8,580,000		4,378,761		15,000,000	27,958,761	42,137	664
2017	7,450,000		3,653,895		15,000,000	26,103,895	42,126	620

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Inter- governmental Loans	Deductions			
2008	\$ 16,322,000	\$ 21,072		\$ 16,343,072	1.53%	\$ 444
2009	15,985,000	-		15,985,000	1.49%	437
2010	15,365,000	-		15,365,000	1.44%	420
2011	14,290,000	-		14,290,000	1.34%	351
2012	13,210,000	-		13,210,000	1.24%	319
2013	12,120,000	-		12,120,000	1.14%	291
2014	11,025,000	-		11,025,000	1.05%	263
2015	9,780,000	-		9,780,000	0.93%	232
2016	8,580,000	-		8,580,000	0.81%	204
2017	7,450,000	-		7,450,000	0.70%	177

Source: District records

**KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Kearny Board of Education (as of June 30, 2017)	\$ 7,450,000		\$ 7,450,000
Town of Kearny	<u>69,881,981</u>	<u>\$ 16,398,823</u>	<u>53,483,158</u>
	<u>\$ 77,331,981</u>	<u>\$ 16,398,823</u>	<u>60,933,158</u>
Overlapping Debt Apportioned to the Municipality:			
County of Hudson			33,899,193
Passaic Valley Sewerage Commission			10,874,497
North Jersey District Water Supply Commission			<u>3,063,217</u>
			<u>47,836,907</u>
Total Direct and Overlapping Debt			<u>\$ 108,770,065</u>

Source:
Municipal and County Annual Debt Statements

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 129,989,322	\$ 158,479,662	\$ 160,013,566	\$ 154,205,149	\$ 145,427,054	\$ 136,452,123	\$ 130,844,283	\$ 130,838,539	\$ 135,481,070	\$ 140,094,135
Total Net Debt Applicable to Limit	16,343,072	15,985,000	15,365,000	14,290,000	13,210,000	12,120,000	11,025,000	9,780,000	8,580,000	7,450,000
Legal Debt Margin	<u>\$ 113,646,250</u>	<u>\$ 142,494,662</u>	<u>\$ 144,648,566</u>	<u>\$ 139,915,149</u>	<u>\$ 132,217,054</u>	<u>\$ 124,332,123</u>	<u>\$ 119,819,283</u>	<u>\$ 121,058,539</u>	<u>\$ 126,901,070</u>	<u>\$ 132,644,135</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.57%	10.09%	9.60%	9.27%	9.08%	8.88%	8.43%	7.47%	6.33%	5.32%

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis	
2016	\$ 3,567,369,627
2015	3,550,843,021
2014	<u>3,388,847,469</u>
	<u>\$ 10,507,060,117</u>
 Average Equalized Valuation of Taxable Property	 <u>\$ 3,502,353,372</u>
 Debt Limit (4% of Average Equalization Value)	 \$ 140,094,135
Total Net Debt Applicable to Limit	<u>7,450,000</u>
Legal Debt Margin	<u>\$ 132,644,135</u>

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2008	36,818	\$ 40,816	6.80%
2009	36,607	43,644	12.00%
2010	36,544	42,181	12.40%
2011	40,728	44,241	11.30%
2012	41,351	46,295	11.40%
2013	41,661	47,819	9.90%
2014	41,946	47,886	7.50%
2015	42,183	50,088	6.40%
2016	42,137	53,945	5.50%
2017	42,126	N/A	N/A

Source: New Jersey State Department of Education

N/A - Not available

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

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>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>	<u>2017</u>
Instruction										
Regular	306	329	408	398	411	393	399	384	370	365
Special Education	47	45	31	31	29	35	30	34	40	40
Other Special Education	42	52	36	36	38	37	44	48	52	51
Vocational	2	3	4	3	3	3	3	3	3	3
Support Services:										
Student and Instruction Related Services	49	49	61	60	58	61	60	53	56	55
General Administration	11	11	14	15	15	15	15	13	14	14
School Administrative Services	46	38	19	23	24	23	24	23	23	23
Central Services	10	10	8	9	9	9	9	8	7	8
Administrative Information Technology	1	4	4	4	4	7	7	8	8	8
Plant Operations and Maintenance	67	66	72	72	72	68	68	69	66	67
Pupil Transportation	4	4	9	12	12	12	12	13	13	13
Special Schools	72	72	40	40	37	37	37	37	37	37
Total	<u>657</u>	<u>683</u>	<u>705</u>	<u>703</u>	<u>712</u>	<u>700</u>	<u>708</u>	<u>693</u>	<u>688</u>	<u>684</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2008	5,580	\$ 78,094,981	\$ 13,996	4.05%	N/A	1:21.6	1:18.7	1:10.5	5,589	5,260	2.51%	94.11%
2009	5,774	77,006,854	13,337	-4.71%	N/A	01:15.4	01:19.2	01:10.2	5,746	5,490	2.81%	95.54%
2010	5,744	82,227,137	14,315	7.34%	N/A	1:16	1:19	1:11	5,709	5,427	-0.64%	95.06%
2011	5,830	81,496,596	13,979	-2.35%	N/A	1:15	1:18	1:10	5,418	5,154	-5.10%	95.13%
2012	5,894	84,184,458	14,283	2.18%	N/A	1:15	1:22	1:12	5,887	5,594	8.66%	95.02%
2013	5,979	86,017,958	14,387	0.73%	N/A	1:15	1:22	1:13	6,018	5,785	2.23%	96.13%
2014	5,911	86,844,142	14,692	2.12%	N/A	1:15	1:22	1:13	5,912	5,641	-1.76%	95.42%
2015	5,915	90,281,756	15,263	3.89%	N/A	1:15	1:22	1:13	5,909	5,608	-0.05%	94.91%
2016	5,909	93,282,446	15,787	3.43%	N/A	1:15	1:22	1:13	5,912	5,617	0.05%	95.01%
2017	5,999	95,403,138	15,903	0.74%	N/A	1:15	1:22	1:13	5,563	5,341	-5.90%	96.01%

Sources: District records

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

N/A Not Available

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

	<u>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>	<u>2017</u>
<u>District Building</u>										
<u>Elementary</u>										
<u>Franklin</u>										
Square Feet	108,820	108,820	108,820	108,820	108,820	114,854	114,854	114,854	114,854	114,854
Capacity (students)	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Enrollment	947	1,012	1,027	1,029	1,056	1,095	1,086	1,103	1,146	938
<u>Garfield</u>										
Square Feet	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095
Capacity (students)	578	578	578	578	578	578	578	578	578	578
Enrollment	586	594	591	604	661	666	654	562	526	530
<u>Lincoln Middle School</u>										
Square Feet	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510
Capacity (students)	794	794	794	794	794	794	794	794	794	794
Enrollment	698	748	748	749	794	825	817	865	882	911
<u>Roosevelt</u>										
Square Feet	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385
Capacity (students)	463	463	463	463	463	463	463	463	463	463
Enrollment	455	463	463	461	462	455	457	483	466	435
<u>Schuyler</u>										
Square Feet	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880
Capacity (students)	514	514	514	514	514	514	514	514	514	514
Enrollment	482	486	484	534	518	518	504	553	530	453
<u>Washington</u>										
Square Feet	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220
Capacity (students)	671	671	671	671	671	671	671	671	671	671
Enrollment	650	666	657	659	683	689	703	625	621	566
<u>High School</u>										
Square Feet	163,760	163,760	163,760	163,760	163,760	276,400	276,400	276,400	276,400	276,400
Capacity (students)	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569
Enrollment	1,762	1,805	1,774	1,794	1,720	1,731	1,690	1,710	1,747	1,730

Number of Schools at June 30, 2017

Elementary = 5
Middle = 1
High School = 1

Source: District Records

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

	<u>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>	<u>2017</u>
School Facilities										
Kearny High School	\$ 737,928	\$ 512,894	\$ 749,779	\$ 694,882	\$ 630,522	\$ 678,456	\$ 651,132	\$ 805,694	\$ 766,505	\$ 712,077
Franklin School	310,442	448,429	376,160	348,619	316,330	340,377	326,670	404,213	384,551	357,342
Garfield School	180,213	259,983	218,096	202,128	183,407	197,349	189,402	234,361	222,962	207,128
Lincoln School	251,716	364,702	306,172	283,756	257,475	277,047	265,890	329,006	313,003	290,870
Roosevelt School	123,056	178,767	149,449	138,507	125,679	135,233	129,787	160,595	152,783	141,938
Schuyler School	156,006	226,158	189,662	175,776	159,496	171,620	164,708	203,807	193,893	180,126
Washington School	246,112	355,279	298,065	276,242	250,657	269,711	258,850	320,294	304,715	282,811
Total School Facilities	<u>\$ 2,005,473</u>	<u>\$ 2,346,212</u>	<u>\$ 2,287,383</u>	<u>\$ 2,119,910</u>	<u>\$ 1,923,566</u>	<u>\$ 2,069,793</u>	<u>\$ 1,986,439</u>	<u>\$ 2,457,970</u>	<u>\$ 2,338,412</u>	<u>\$ 2,172,292</u>

Source: District Records

**KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2017
(Unaudited)**

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

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kearny Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.


We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Kearny Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 28, 2017.


Kearny Board of Education's Response to Finding

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

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 28, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Kearny Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Kearny Board of Education's major federal and state programs for the fiscal year ended June 30, 2017. The Kearny Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Kearny Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

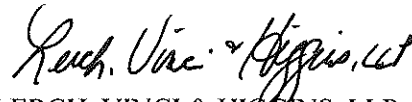
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 28, 2017

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal/Grantor/Pass-Through Grant Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Prior Year Adjustment	Refund of Prior Year Balances	(Account Receivable)	June 30, 2017		(Memo Only) GAAP Account Receivable
													Unearned Revenue	Due to Grantor	
U.S. Department of Education															
Passed-through State Department of Education															
Medicaid Assistance Program	93.778	1705NJSMAP	7/1/16-6/30/17	\$ 267,895			\$ 204,760	\$ 267,895				\$ (63,135)			\$ (63,135)
Medicaid Assistance Program	93.778	1605NJSMAP	7/1/15-6/30/16	241,679	\$ (105,123)		105,123								-
Medicaid Assistance (MAC)	93.778	1705NJSMAP	7/1/16-6/30/17	24,516			24,516	24,516							-
ARRA - Medical Assistance Prg	93.778	1705NJSMAP	4/1/09-12/31/10	12,252			12,252	12,252							-
Total Medicaid Assistance Programs - General Fund					(105,123)		346,651	304,663				(63,135)			(63,135)
U.S. Department of Education															
Passed-through State Department of Education															
Food Distribution Program	10.555	16161NJ304N1099	7/1/15-6/30/16	136,251	4,592			4,592							
Food Distribution Program	10.555	171NJ304N1099	7/1/16-6/30/17	167,491			167,491	164,043						\$ 3,448	
National School Lunch Program	10.555	16161NJ304N1099	7/1/15-6/30/16	1,070,926	(205,755)		205,755								-
National School Lunch Program	10.555	171NJ304N1099	7/1/16-6/30/17	972,563			905,098	972,563				(67,465)			(67,465)
National School Breakfast Program	10.553	16161NJ304N1099	7/1/15-6/30/16	85,215	(18,715)		18,715								-
National School Breakfast Program	10.553	171NJ304N1099	7/1/16-6/30/17	104,343			87,151	104,343				(17,192)			(17,192)
Total U.S. Department of Agriculture - Enterprise Fund					(219,878)		1,384,210	1,245,541				(84,657)		3,448	(84,657)
U.S. Department of Education															
Passed-through State Department of Education															
Title I, Part A	84.010A	S010A150030	7/1/15-6/30/16	1,558,712	(917,120)	\$ (31,278)	917,120		\$ 31,278	\$ 55				\$ 55	-
Title I, Part A	84.010A	S010A160030	7/1/16-6/30/17	1,508,360		31,278	1,008,330	1,510,125	(31,278)			(531,308)	29,513		(501,795)
Total Title I					(917,120)		1,925,450	1,510,125		55		(531,308)	29,513	55	(501,795)
I.D.E.A Part B. Basic Regular	84.027	H027A150100	7/1/15-6/30/16	1,367,261	(424,971)	(22,521)	424,971		22,521						-
I.D.E.A Part B. Basic Regular	84.027	H027A160100	7/1/16-6/30/17	1,345,154		22,521	1,299,626	1,322,974	(22,521)			(68,049)	44,701		(23,348)
I.D.E.A Part B. Basic Regular	84.027		7/1/13-6/30/14	1,254,682		229					\$ 229				-
I.D.E.A. Part B. Preschool	84.173	H173A150114	7/1/16-6/30/17	28,253			28,253	28,253							-
Total I.D.E.A					(424,742)		1,752,850	1,351,227			229	(68,049)	44,701		(23,348)
Title II, Part A	84.367A	S367A150029	7/1/15-6/30/16	134,945	(79,343)	(2,085)	79,343		2,085						-
Title II, Part A	84.367A	S367A160029	7/1/16-6/30/17	116,940		2,085	83,582	117,190	(2,085)			(35,443)	1,835		(32,608)
Total Title II					(79,343)		162,925	117,190				(35,443)	1,835		(33,608)
Title III	84.365A	S365A150030	7/1/15-6/30/16	61,044	(17,921)	(29,571)	17,921		29,571						-
Title III	84.365A	S365A160030	7/1/16-6/30/17	75,696		29,571	34,426	45,806	(29,571)	2		(70,841)	59,461	2	(11,380)
Title III	84.365A		7/1/13-6/30/14	51,230		1,026					1,026				-
Title III Immigrant	84.365A	S365A150030	7/1/15-6/30/16	48,694	(4,326)	(38,630)	4,326		38,630			(46,800)	46,800		-
Title III Immigrant	84.365A	S365A160030	7/1/16-6/30/17	22,813		38,630	14,643	14,643	(38,630)			(117,641)	106,261	2	(11,380)
Total Title III					(21,221)		71,316	60,449		2	1,026	(117,641)	106,261	2	(11,380)
Carl D. Perkins- Voc. Education	84.048A	V048A140030	7/1/15-6/30/16	51,760	(7,261)		276			6,985					-
Carl D. Perkins- Voc. Education	84.048A		7/1/13-6/30/14	56,243	(3,000)							(3,000)			(3,000)
Carl D. Perkins- Voc. Education	84.048A	V048A160030	7/1/16-6/30/17	57,087			56,686	56,689				(401)	398		(3)
Total Carl D. Perkins					(10,261)		56,962	56,689		6,985		(3,401)	398		(3,003)
Total U.S. Department of Education - Special Revenue Fund					(1,452,687)		3,969,503	3,095,680		7,042	1,255	(755,842)	182,708	57	(573,134)
U.S. Department of Transportation															
Airport Improvement Program															
Aircraft Noise Abatement - K.H.S.	20.106		Not Available	21,145,025	(2,955,116)		3,744,469	8,707,997				(7,918,644)			(7,918,644)
Total U.S. Department of Transportation - Capital Projects Fund					(2,955,116)		3,744,469	8,707,997				(7,918,644)			(7,918,644)
Total Federal Awards					\$ (4,732,804)	\$ -	\$ 9,444,833	\$ 13,353,881	\$ -	\$ 7,042	\$ 1,255	\$ (8,822,278)	\$ 186,156	\$ 57	\$ (8,639,570)

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016				June 30, 2017				MEMO			
				Unearned Revenue/ (Accts Rec.)	Due to Grantor	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education															
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 3,528,116	\$ (350,296)			\$ 350,296								
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	3,583,423				3,227,553	\$ 3,583,423		\$ (355,870)				\$ 3,583,423	
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	26,090,104	(2,590,404)			2,590,404								
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	26,205,446				23,602,982	26,205,446		(2,602,464)				26,205,446	
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	349,488	(34,700)			34,700								
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	408,316				367,766	408,316		(40,550)				408,316	
Under Adequacy Aid	16-495-034-5120-096	7/1/15-6/30/16	500,000	(49,643)			49,643								
Under Adequacy Aid	17-495-034-5120-096	7/1/16-6/30/17	500,000				450,345	500,000		(49,655)				500,000	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	58,140	(5,772)			5,772								
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	58,140				52,366	58,140		(5,774)				58,140	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	58,140	(5,772)			5,772								
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	58,140				52,366	58,140		(5,774)				58,140	
Professional Community Learning Aid	17-495-034-5120-101	7/1/16-6/30/17	58,330	-	-	-	52,537	58,330	-	(5,793)	-	-	-	58,330	
Total State Aid Public				(3,036,587)	-	-	30,842,502	30,871,795	-	(3,063,880)	-	-	-	30,871,795	
General Fund															
Extraordinary Aid	16-100-034-5120-473	7/1/15-6/30/16	313,834	(313,834)			313,834							-	
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	361,471					361,471		(361,471)				361,471	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	50,657	(5,030)			5,030								
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	57,192				51,512	57,192		(5,680)				57,192	
TPAF Social Security Aid	16-495-034-5094-003	7/1/15-6/30/16	2,797,821	(611,975)			611,975								
TPAF Social Security Aid	17-495-034-5094-003	7/1/16-6/30/17	2,792,876				2,179,248	2,792,876		(613,628)			\$ (613,628)	2,792,876	
On Behalf TPAF	17-495-034-5094-004	7/1/16-6/30/17	152,416	-	-	-	152,416	152,416	-	-	-	-	-	152,416	
NCGI Premium															
TPAF Pension Contrib.	17-495-034-5094-002	7/1/16-6/30/17	4,206,624	-	-	-	4,206,624	4,206,624	-	-	-	-	-	4,206,624	
TPAF LTDI	17-495-034-5094-004	7/1/16-6/30/17	9,663	-	-	-	9,663	9,663	-	-	-	-	-	9,663	
TPAF Post Retirement															
Medical Benefit Contribution	17-495-034-5094-001	7/1/16-6/30/17	3,632,071	-	-	-	3,632,071	3,632,071	-	-	-	-	-	3,632,071	
Total General Fund				(3,967,426)	-	-	42,004,875	42,084,108	-	(4,046,659)	-	-	(613,628)	42,084,108	
Preschool Education															
Early Childhood Program Aid	07-495-034-5120-025	7/1/06-6/30/07	2,511,213	1,167,378		\$ (443,977)					\$ 723,401			-	
Preschool Education Aid	16-495-034-5120-086	7/1/15-6/30/16	388,278	28,524			38,828				67,352			-	
Preschool Education Aid	17-495-034-5120-086	7/1/16-6/30/17	347,985	-		443,977	313,187	755,965		(34,798)	35,997			755,965	
Preschool Education Aid	14-495-034-5120-086	7/1/13-6/30/14	439,560	76,988							76,988			-	
New Jersey Nonpublic Aid														-	
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	5,418				5,418	5,418						5,418	
Auxiliary Services														-	
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	38,071		\$ 37,479				\$ 37,479					-	
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	23,291				23,291	10,133			\$ 13,158			10,133	
ESL	16-100-034-5120-067	7/1/15-6/30/16	5,177		5,177					5,177				-	
ESL	17-100-034-5120-067	7/1/16-6/30/17	2,741				2,741							2,741	
Handicapped Services														-	
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	18,225		8,562					8,562				-	
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	8,465				8,465	3,904			4,561			3,904	
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	10,869		4,766					4,766				-	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	7,068				7,068	4,094			2,974			4,094	
Supplementary	16-100-034-5120-066	7/1/15-6/30/16	8,168		2,970					2,970				-	
Supplementary	17-100-034-5120-066	7/1/16-6/30/17	8,632				8,632	3,610			5,022			3,610	
Nursing	17-100-034-5120-070	7/1/16-6/30/17	9,720				9,720	9,276			444			9,276	
Technology	17-100-034-5120-373	7/1/16-6/30/17	2,444				2,444							2,444	
Technology	14-100-034-5120-373	7/1/13-6/30/14	2,080		25					25				-	
Security	17-100-034-5120-509	7/1/16-6/30/17	5,400				5,400	5,400						5,400	
Department of Human Services															
School Based Youth Services	SB08020	7/1/16-6/30/17	277,587				277,587	254,728			22,859			254,728	
School Based Youth Services	SB08020	7/1/14-6/30/15	277,587	2,219							2,219			-	
School Based Youth Services	SB08020	7/1/13-6/30/14	277,587	-	34						-	34		-	
School Based Youth Services	SB08020	7/1/12-6/30/13	282,387		203							203		-	
School Based Youth Services	SB08020	7/1/09-6/30/10	277,587	27,839							27,839			-	
Total Special Revenue Fund				1,302,948	59,216	-	702,781	1,054,972	58,979	(34,798)	956,655	29,137	-	1,054,972	

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KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016		Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	June 30, 2017			MEMO	
				Unearned Revenue/ (Accts Rec.)	Due to Grantor					(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
New Jersey Economic Development Authority														
Facilities Grant Program														
KHS - Façade	2410-050-05-1400	N/A	\$ 2,433,708	\$ (429,006)						\$ (474,603)	\$ 45,597		\$ (474,603)	\$ 2,388,111
KHS Aircraft Noise Abatement	2410-050-04-3000	N/A	17,608,507	(8,514,536)			\$ 7,245,078			(15,759,614)	-	-	(15,759,614)	17,608,507
Franklin School and BOE Offices	2410-X02-09-1002	N/A	873,582	(873,582)						(873,582)			(873,582)	873,582
Franklin School Alterations	2410-070-09-2001	N/A	47,250	(26,293)	-	-	-	-	-	(47,250)	20,957	-	(47,250)	26,293
Total Capital Projects Fund				(9,843,417)	-	-	-	7,245,078	-	(17,155,049)	66,554	-	(17,155,049)	20,896,493
Debt Service Aid	17-495-034-5120-075	7/1/16-6/30/17	402,706	-	-	-	402,706	402,706	-	-	-	-	-	402,706
Total Debt Service Fund				-	-	-	402,706	402,706	-	-	-	-	-	402,706
State Department of Agriculture														
State School Lunch Program	16-100-010-3360-023	7/1/15-6/30/16	23,376	(4,450)	-	-	4,450						-	-
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	20,809	-	-	-	19,389	20,809	-	(1,420)	-	-	(1,420)	20,809
Total Enterprise Fund				(4,450)	-	-	23,839	20,809	-	(1,420)	-	-	(1,420)	20,809
Total State Awards			\$ (12,512,345)	\$ 59,216	\$ -	\$ -	\$ 43,134,201	50,807,673	\$ 58,979	\$ (21,237,926)	\$ 1,023,209	\$ 29,137	\$ (17,770,097)	\$ 64,459,088
Less: State Aid Not Subject to Single Audit:														
On-Behalf TPAF NCGI Premium								(152,416)						
On-Behalf TPAF Pension Contribution								(4,206,624)						
On-Behalf TPAF LTDI								(9,663)						
On-Behalf TPAF Post-Retirement Medical								(3,632,071)						
Total State Financial Assistance Subject to Single Audit							\$ 42,806,899							

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**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$77,580 for the general fund and a decrease of \$3,000 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 304,663	\$ 42,006,528	\$ 42,311,191
Special Revenue Fund	3,095,680	1,054,972	4,150,652
Capital Projects Fund	8,707,997	7,245,078	15,953,075
Debt Service Fund		402,706	402,706
Food Service Fund	1,245,541	20,809	1,266,350
Total Financial Assistance	<u>\$ 13,353,881</u>	<u>\$ 50,730,093</u>	<u>\$ 64,083,974</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$2,792,876 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$4,359,040, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$3,632,071 and TPAF Long-Term Disability Insurance in the amount of \$9,663 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards Section

Internal Control over major programs:

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

2) Significant deficiencies identified? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.778</u>	<u>1705NJ5MAP</u>	<u>SEMI-Medical Assistance Program</u>
<u>20.106</u>	<u>N/A</u>	<u>Airport Improvement Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? yes X no

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,284,207

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

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

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

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

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

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>17-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>17-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>17-495-034-5120-075</u>	<u>Debt Service Aid</u>
<u>17-02410-050-04-3000</u>	<u>SDA-Kearny H.S. Expansion and Noise Abatement</u>

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-001

Our audit of payroll revealed the following:

- An individual was paid \$86,160 in excess of their base salary for calendar year 2016. Of this amount, \$68,969 was not reported on the employee's year-end W-2. In addition, the individual continued to be overpaid during the period January 1, 2017 through June 30, 2017.
- The net payroll bank account was reconciled during the year by an employee who was not independent of payroll processing functions.
- Payroll reports and records were materially modified by an employee without management's knowledge. The control options within the District's payroll accounting system were not adequate.
- Payroll reports, registers and information was not provided for audit in a timely manner.

Criteria or Specific Requirement

- Internal Controls
- Segregation of Duties

Condition

An employee of the District was paid in excess of their contractual salary amounts. In addition, the net payroll bank account was being reconciled by an employee who was not independent of this payroll function. Furthermore, payroll information such as employee pay histories, W-2's, documentation for overtime, extra compensation, etc. was not provided for audit in a timely manner.

Context

A potential overpayment to an individual amounting to \$89,160 occurred during calendar year 2016. An additional overpayment of \$27,984 occurred from January 1 to June 30, 2017.

Effect

Internal controls over payroll processing were not sufficient, enabling an individual to be significantly overpaid and modify the accuracy and integrity of the various payroll reports.

Cause

Lack of segregation of duties, limited management oversight and inadequate controls within the payroll accounting and reporting system.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

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

Finding 2017-001 (Continued)

Recommendation

Internal control procedures over payroll processing and reporting be reviewed and enhanced.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has revised the District's payroll procedures to ensure corrective action is taken. In addition, management will be installing a new payroll processing system effective January 1, 2018.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2016-001

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

Status

Corrective action has been taken.

Finding 2016-002

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

Status

Correction action has been taken.