

Comprehensive Annual Financial Report

of the

Kearny School District

Kearny, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Essex Fells School District
Board of Education**

OUTLINE OF CAFR

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	2
Organizational Chart	16
Roster of Officials.....	17
Consultants and Advisors	18
FINANCIAL SECTION	
Independent Auditor's Report	20
Required Supplementary Information - Part I	
Management's Discussion and Analysis.....	24
BASIC FINANCIAL STATEMENTS	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position.....	34
A-2 Statement of Activities.....	35
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	38
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	39
B-3 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	40
Proprietary Funds:	
B-4 Statement of Net Position.....	42
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position.....	43
B-6 Statement of Cash Flows	44
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position.....	46
B-8 Statement of Changes in Fiduciary Net Position.....	47
Notes to the Financial Statements	48
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	90
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	101

**OUTLINE OF CAFR
(Continued)**

	Page
Notes to Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	103
Required Supplementary Information - Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	106
L-2 Schedule of the District Contributions - PERS.....	107
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF.....	108
Notes to the Required Supplementary Information - Part III.....	109
M. Schedules Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions	
M-1 Schedule of changes in the Total OPEB Liability and Related Ratios	112
Notes to the Required Supplementary Information - Part III.....	114
Other Supplementary Information	
D. School Based Budget Schedules (If Applicable):	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual.....	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	118
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	121
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	123
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance	124
F-2a Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Kearny High School - Aircraft Noise Abatement	125
F-2b Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Kearny High School - Façade Project.....	126
F-2c Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Alterations to Franklin Elementary School	127

**OUTLINE OF CAFR
(Continued)**

	Page
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Position	130
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	131
G-3 Combining Statement of Cash Flows	132
Internal Service Fund:	
G-4 Combining Schedule of Net Position	N/A
G-5 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Combining Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	135
H-2 Combining Statement of Changes in Fiduciary Net Position	136
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	137
H-4 Schedule of Receipts and Disbursements	138
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	140
I-2 Schedule of Obligations Under Capital Leases	141
I-3 Debt Service Fund Budgetary Comparison Schedule	142

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1 Net Assets by Component	146
J-2 Changes in Net Assets/Net Position	147
J-3 Fund Balances - Governmental Funds	149
J-4 Changes in Fund Balances - Governmental Funds	150
J-5 General Fund Other Local Revenue by Source	151

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	153
J-7 Direct and Overlapping Property Tax Rates	154
J-8 Principal Property Taxpayers	155
J-9 Property Tax Levies and Collections	156

Debt Capacity

J-10 Ratios of Outstanding Debt by Type	158
J-11 Ratios of General Bonded Debt Outstanding	159
J-12 Direct and Overlapping Governmental Activities Debt	160
J-13 Legal Debt Margin Information	161

**OUTLINE OF CAFR
(Continued)**

	Page
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	163
J-15 Principal Employers	164
Operating Information	
J-16 Full-Time Equivalent District Employees by Function/Program	166
J-17 Operating Statistics	167
J-18 School Building Information	168
J-19 Schedule of Required Maintenance Expenditures by School Facility	169
J-20 Insurance Schedule	170

SINGLE AUDIT SECTION

K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	172
K-2 Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)	174
K-3 Schedule of Expenditures of Federal Awards, Schedule A	177
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	178
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	180
K-6 Schedule of Findings and Questioned Costs	182
K-7 Summary Schedule of Prior Audit Findings	184

INTRODUCTORY SECTION

OFFICE OF BOARD OF EDUCATION
172 MIDLAND AVENUE
KEARNY, NEW JERSEY 07032

THERESA ANDRYSZCZAK
BARBARA CIFELLI-SHERRY
JAMES DORAN, JR.
BRYAN GRANELLI – VICE PRESIDENT
CECILIA LINDENFELSER
BERNADETTE MCDONALD - PRESIDENT
SAMANTHA PARIS
SEBASTIAN J. VISCUSO
GEORGE ZAPATA

201-955-5000
FAX # 201-955-0426
www.kearnyschools.com

DR. EDWARD IZBICKI
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

December 5, 2018

*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, 2018, 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 students with special needs. The district completed the 2017-2018 fiscal year with an enrollment of 5,584 students, which is 415 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>
2017-18	5,584	(6.92%)
2016-17	5,999	1.37%
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%

(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 2018. It was revealed that the Kearny School District's budgeted comparative spending for the 2017/18 school year was \$13,203 per pupil. Out of the 103 school districts with more than 3,500 students, Kearny ranked 7th (low cost to high cost) in budgeted 2017/18 per pupil spending. The budgeted New Jersey State average for 2017/2018 was \$17,695.

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 2017/18 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.

MAJOR INITIATIVES:**o 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 and email on Google Drive. 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. All district curricula adheres to the New Jersey Student Learning Standards, including the 21st Century College and Career Standards as well as the Technology Standards.*
- *The continuation of Professional Learning Communities in the development of school improvement initiatives was used, and it provided teachers the opportunity to collaborate within their subject areas and across grade levels. In addition, PLC's provided the opportunity for both horizontal and vertical articulation among all district teachers.*
- *Professional development continued for teachers in all grade levels related to District Technology resources such as Google Classroom, 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.*

o ELEMENTARY & MIDDLE SCHOOL

- *Early Childhood Family After School Programs continued in all schools in an effort to engage parents with their children in literacy-based activities to promote parental involvement, increase the bond between parents and children and to support what occurs in the Early Childhood Classroom.*
- *The district completed its transition to an improved Balanced Literacy Framework, transitioning from a basal-based English Language Arts program to a Reader and Writer's Workshop model in grades K-5. Center for the Collaborative Classroom, Making Meaning, was implemented in grades 3-5. This comprehensive program utilizes the Reader's Workshop model and includes components for vocabulary, spelling and individualized daily reading. Intensive professional development continued for teaching staff that included Lesson Studies where teachers were able to see model lessons and debrief in small groups as well as individualized coaching provided by district Literacy Coaches.*

- *The district implemented 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. 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. Students are administered a placement test so that they are placed in an appropriate set according to their reading level and current ability in fluency and comprehension. As a result, their instruction is individualized at their point of need. Intensive professional development continued for teaching staff that included Lesson Studies where teachers were able to see model lessons and debrief in small groups as well as individualized coaching provided by district Literacy Coaches.*
- *The district began a Literacy initiative with the elementary Special Education teachers. Intensive and individualized professional development was provided to K-5 English Language Arts Special Education teachers by the Center for the Collaborative Classroom in Making Meaning, Being a Writer, and Being a Reader. A needs assessment was conducted and teachers received materials and resources needed. Special Education teachers participated in a pilot study of the SIPPS (Systematic Instruction in Phonological Awareness, Phonics and Sight Words) with students in grades 3-5. Students were administered a placement test and appropriately placed at the correct level of SIPPS so that strategic instruction at point of need could be provided. SIPPS will be implemented in the 2018-19 school year in grades 3-6. Appropriate and individualized Special Education ELA services were discussed and scheduling was examined in order to implement improved individualized services in a least restrictive environment.*
- *The district was awarded a grant through Provident Bank for \$15,000 to partner with CLI (Children's Literacy Initiative). Additional Title II monies were used to provide grade one and two teachers with 25 hours each of individualized coaching in Garfield, Roosevelt and Washington Schools. All English Language Arts staff in grades 1-5 were provided with a full day professional development workshop on best practices in Reader's Workshop.*
- *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. The district literacy coaches continue to model and provide individualized training and support to teachers throughout the school year. This multi-sensory approach to the teaching of phonics ensures that the district's population of struggling readers will be appropriately assisted.*

- *The district continued its efforts to expand classroom libraries in grades K-5. District coaches also continued to work with teachers to create libraries that were well-organized, appropriately leveled and themed, and inviting for students.*
- *The district began investigating alternative math programs in grades 6-8. We currently use Ron Larson's Big Ideas. A small group of teachers previewed Carnegie Learning, Pearson's Envisions, Ready Math, and Agile Minds, among other programs. The district will pilot the Ready Math and iReady program in the 2018-19 school year.*
- *District Mathematics PLCs took place in grades 3-6 throughout the school year to examine and adjust the mapping and pacing as well as to provide teachers with resources and materials to enhance their math instruction.*
- *The district implemented the Knowing Science program for grades K-5 in the 2017-18 school year. Intensive professional development was provided as well as individualized coaching from the district Math/Science coaches. The district organized a Knowing Science user group with other districts implementing the program. The group met periodically throughout the school year to discuss and share ideas for implementation.*
- *The district Behaviorist continues to work with select Special Education aides to increase their knowledge of Applied Behavioral Analysis and Discrete Trial 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 continues its implementation of 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 opportunities to build their reading comprehension skills and reading fluency. Learning A-Z was utilized. 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 makerspace to enhance the Lego theme of the program. 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 STEAM 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 STEAM-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.*
- *During the 2017-2018 school year, nine of our teachers and their students in grades 5, 6, and 7 participated in the ACMES Research Project through Montclair State University. This research project is funded by the National Science Foundation. The purpose of the project was to research innovative ways of teaching and learning Earth and Environmental Science using computer technology. Students worked on instructional modules that integrated computational and mathematical thinking into Earth and Environmental Science.*
- *During the summer, ninety students in grades 5, 6 and 7 participated in the ACMES STEM and Computing Summer Camp at Montclair State University. Three cohorts of students visited the Montclair State University Campus for one week each from July 9th – July 27th. Students had the opportunity to study and observe the use of some state-of-the-art scientific facilities, as well as the brand new computing and networking facilities. They attended sessions on scientific topics and learned computational and programming techniques under the supervision of the faculty. In addition to being exposed to the STEM facilities at Montclair State University, they had the opportunity to participate in hands-on activities at the New Jersey School of Conservation at Stokes State Forest in northwest New Jersey.*
- *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 district implemented LinkIt! in grades K-12 in order to develop a data warehouse as well as to utilize their benchmark assessments. All district data was uploaded to LinkIt! and students in grades 3-12 were administered the LinkIt! ELA and Math benchmark assessments three times over the course of the school year (beginning, mid and end of year). The district also uploaded the Science and Social Studies benchmarks developed by the district onto the platform and those were administered as well. In addition, benchmarks were created and administered for specialty ELA and Math courses such as Unified Mathematics and Supernatural and Parapsychology courses. Each school developed a data leadership team comprised of many stakeholders. Professional development was provided throughout the school year where staff learned how to investigate their data results on the platform. LinkIt! provides instant data analysis and identifies areas of strength and weakness by standard.*
- *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 that included improving student Lexile levels through increased usage of the program. Parent nights were held at several schools where parents had the opportunity to learn about the program and work alongside their children. The district partnered with Achieve 3000 to present its success with the Achieve 3000 program to other districts. The district hosted information sessions as well where districts were invited to visit classrooms, view lessons and ask questions.*
- *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 provided teachers in grades 3-5 with iPads to conduct assessments. 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. and the Paper Mill Playhouse.*
- *Teachers attended a series of Literacy Workshops held at Kean University, Rutgers University and NJCU. Useful strategies and activities were shared with staff.*

- *The district implemented a departmentalization schedule for grades 4 and 5. Teachers in those grade levels work in teams of two where one teacher teaches ELA and the other teaches Math and Science. Both teachers on the team are 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.*
- *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 and implemented the program school wide at Garfield School. 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. Garfield School hosted an ST Math family night where parents could learn and experience the program firsthand with their children. Continuous professional development was provided to staff throughout the school year as well as individualized coaching by the district Math and Science coaches. The district plans to adopt ST Math school wide at Washington School for the 2018-19 school year.*
- *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 and Sustainable Learning Garden (in partnership with the Passaic Valley Sewerage Commission and Rutgers University).*

- *During the 2017-2018 school year, several of our teachers who participated in the WIPRO Science Education Fellowship through Montclair State University were given the opportunity to extend their participation in the fellowship through additional funding provided by the WIPRO Corporation. They received mini-grants to continue work with their students in an area of interest. Three teachers at Lincoln Middle School received funding to purchase Vernier probes. Their students worked on explorations in their science classes using the probes. Mathematics teachers worked with the students to analyze the data they obtained from these activities. The District Coordinator received a mini-grant to implement Family Science Nights for grades K-5 students at three of the elementary schools.*
- *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 and Co-Teaching. District teachers also continue to attend many other workshops provided through the MSUNER network on their own time.*
- *The district provides STEM Family Science Nights for grades K-5 districtwide where parents were able to participate in Science experiments with their children and learn about the Knowing Science program.*
- *Physical Education and Health staff implemented The Great Body Shop in grades K-2 in the 2017-18 school year. The Great Body Shop is currently used in grades K-8. Garfield School hosted a Kerboom Kidz assembly. Kerboom Kidz offers an energetic and challenging group exercise program that focuses on dance and promotes a healthy and active lifestyle.*
- *Lincoln Middle School participated in a day with Google Expedition. Using AR and VR, Google Expeditions is a virtual reality teaching tool that lets you lead or join immersive virtual field trips all over the world.*
- *The district participated in all workshops provided by the HCPDC (Hudson County Professional Development Consortium) on topics including: Google for Education, Mindfulness and Next Generation Science Standards for grades K-5.*
- *The district developed entrance criteria and a curriculum for a K-2 enrichment program for gifted students that was implemented during the school year Curriculum Units include such topics as author studies, engineering and transportation.*
- *An Integrated PK program was implemented at Garfield School in order to best serve the needs of our special education population. A morning and afternoon session is held.*
- *The district continues to implement its New Teacher Collaborative which meets monthly and provides teachers new to the district with pertinent information on many*

relevant topics such as effective parent teacher conferences and what teachers need to know about Special Education and Bilingual/ESL education, among other topics.

- Title III Immigrant funds were used to provide libraries for immigrant students that included bilingual titles and books on various cultures and traditions. The purpose of the library was to help build literacy skills in both English and their native language.

- HIGH SCHOOL

- The district implemented LinkIt! in grades K-12 in order to develop a data warehouse as well as to utilize their benchmark assessments. All district data was uploaded to LinkIt! and students in grades 3-12 were administered the LinkIt! ELA and Math benchmark assessments three times over the course of the school year (beginning, mid and end of year). The district also uploaded the Science and Social Studies benchmarks developed by the district onto the platform, and those were administered as well. In addition, benchmarks were created and administered for specialty ELA and Math courses such as Unified Mathematics and Supernatural and Parapsychology courses. Each school developed a data leadership team comprised of many stakeholders. Professional development was provided throughout the school year where staff learned how to investigate their data results on the platform. LinkIt! provides instant data analysis and identifies areas of strength and weakness by standard.
- Several new courses were developed and implemented in the 2017-18 school year. These courses are: AP French, Introduction to Technology Design and Dance.
- Kearny High School participated in a day with Google Expedition. Using AR and VR, Google Expeditions is a virtual reality teaching tool that lets you lead or join immersive virtual field trips all over the world.
- The high school participated in a Chromebook, Google for Education and student email pilot. Four teachers participated and each received 30 Chromebooks to utilize in their classes. Professional development was provided through Kiker Learning. The district plans to implement a one to one initiative with Chromebooks as well as implement Google for Education and student emails at the middle school and high school for the 2018-19 school year.
- A Mathematics professional development series was developed and implemented for high school mathematics staff in conjunction with Montclair State University professors. Teachers met periodically over the course of the school year to discuss and develop best practices and strategies for high school mathematics instruction.
- The high school replaced Edmentum and implemented Edgenuity Courseware for credit recovery in English Language Arts, Mathematics, Social Studies and Science in grades 5-12.

- ATHLETICS
 - *The District has no pending projects.*
- DISTRICT
- Wireless Project for District Mobile Devices
 - *The installation of wireless access points has been completed at all elementary schools. The south building in the high school will be completed by the end of the calendar year. Policies and guidelines have been modified to include the use of mobile devices.*
- 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. This has been expanded to include the high school faculty.*
- Google Classroom/G-Suite
 - *A pilot program has been concluded in the middle school and high school 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. We have now expanded this program to include all classes in the middle school and high 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
 - *We expect to use the chromebooks for testing this year.*
- 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 continued with a fall 2018 completion.*
- One-to-One Chromebook Initiative
 - *We have implemented a one-to-one chromebook initiative for all students in the middle school and high school. High school students will be able to take their devices home and the middle school students will leave them in the classrooms.*

- (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, 2018.
- (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, 2018, the District's outstanding debt included \$6,721,000 to provide funds for capital improvements to the Kearny High School buildings and grounds. In addition, funding was provided by the SDA, FAA and the Port Authority.

(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 Samuel Klein and Company 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.

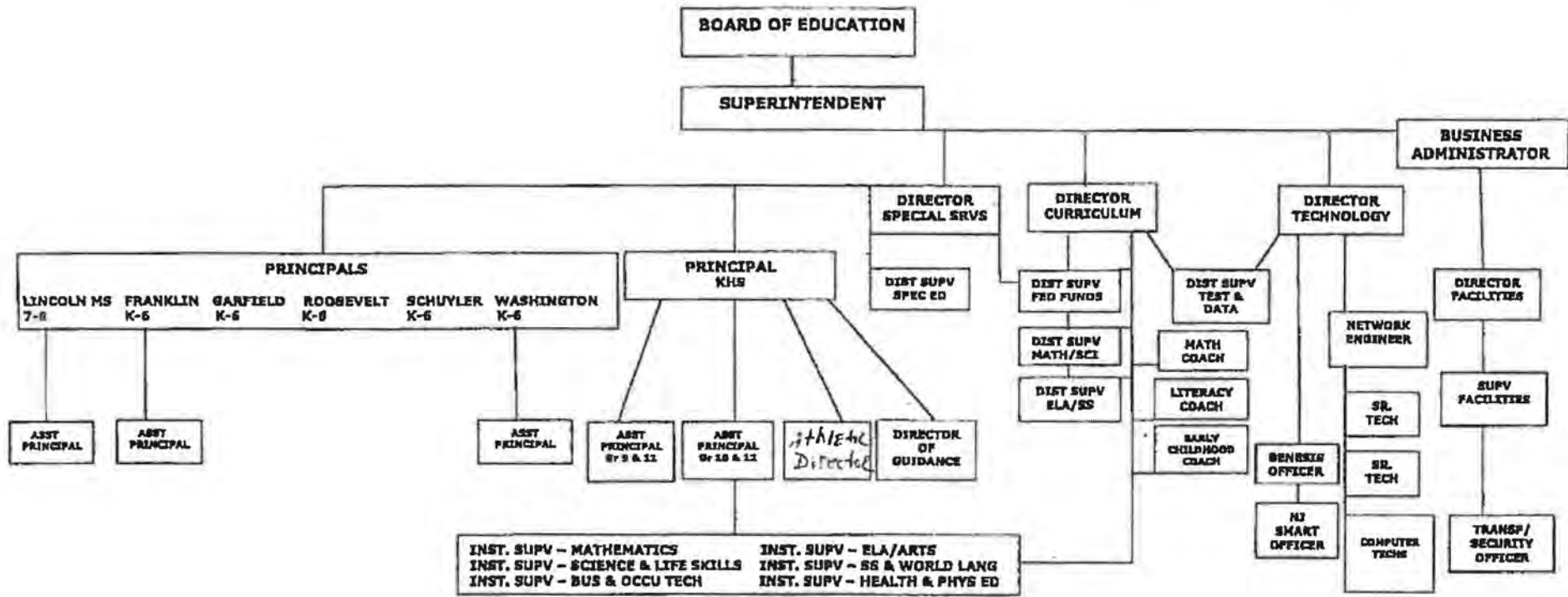
Respectfully submitted,



Dr. Edward Izbicki
Business Administrator/Board Secretary



Patricia Blood
Superintendent of Schools



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2018

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Theresa Andryszczak	2020
Barbara Cifelli-Sherry	2019
James Doran, Jr.	2018
Bryan Granelli	2018
Cecilia Lindenfeser	2018
Bernadette McDonald	2019
Samantha Paris	2020
Sebastian J. Viscuso	2020
George Zapata	2019

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

SAMUEL KLEIN AND COMPANY
550 BROAD STREET - 11TH FLOOR
NEWARK, NEW JERSEY 07102-9969

BOND COUNSEL

MC MANIMON, SCOTLAND & BAUMANN, LLC.
ONE RIVERFRONT PLAZA
NEWARK, NEW JERSEY 07102

NEGOTIATOR/LABOR COUNSEL

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

OFFICIAL DEPOSITORY

THE INVESTORS BANK
300 BERGEN AVENUE
KEARNY, NEW JERSEY 07032

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Town of Kearny Board of Education
County of Hudson
Kearny, New Jersey 07032

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the Town of Kearny School District, County of Hudson, State of New Jersey, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, as listed in the table of contents. The financial statements of the Town of Kearny School District as of June 30, 2017, were audited by other auditors whose report dated November 28, 2017, expressed an unmodified opinion on those statements.

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 and the standards applicable to financial audits contained in *Governmental 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 Board'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 Board'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the Town of Kearny School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

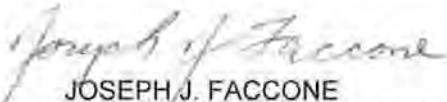
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kearny School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented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

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 January 31, 2019, on our consideration of the Board of Education of the Town of Kearny School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Town of Kearny School District'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 Town of Kearny School District's internal control over financial reporting and compliance.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
January 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION - PART I

TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The discussion and analysis of the Town of Kearny Public School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and other financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

In total, net assets totaled \$16,076,744 which represents a decrease from 2017.

General revenues accounted for \$89,071,341 in revenue or 83.4% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$28,812,955 or 16.6% to total revenues of \$118,354,235.

Total assets of governmental activities decreased by \$36,997,367 as cash and cash equivalents increased \$5,499,765, capital assets decreased by \$22,414,758, receivables decreased by \$17,367,591 and deferred outflows decreased by \$2,159,310.

The District had \$117,730,402 in expenses; only \$28,812,955 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$52,706,484 and aid of \$34,141,871 were adequate to provide for these programs.

Among major funds, the General Fund had \$98,760,860 in revenues and \$97,713,767 in expenditures, which does not include the operating transfer out for the Capital Projects Fund. The General Fund's fund balance decreased \$1,348,190 from 2017. The General Fund's fund balance is \$1,521,448.

Using this Comprehensive Annual Financial Report (CAFR)

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town of Kearny Public School District as a financial whole, an entire operating entity. The statements then proceed to provide a detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. Governmental fund statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Town of Kearny Public School District, the General Fund is by far the most significant.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

This document contains all funds used by the District to provide programs and activities, viewing the District as a whole and reports the culmination of all financial transactions. The report answers the question "How We Did Financially during Fiscal Year 2018". The Statement of Net Assets and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because they report on whether the District's financial position has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two types of activities:

Governmental Activities - all of the District's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities - these services are provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and Community School Enterprise Funds are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statement

The Analysis of the District's major funds begins on page 36. Fund financial reports provide detailed information about the District's major funds. The District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of the funds and balances left at year-end available for spending in the future years. These funds are reported using a modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities. The reporting of this fund did not change with the conversion to GASB 34.

The District as a Whole

The Statement of Net Position provides the financial perspective of the District as a whole.

Table 1 provides a comparative summary of the District's net assets for 2018 and 2017.

Table 1 - Net Assets

	<u>2018</u>	<u>2017</u>
Assets		
Current and Other Assets	\$ 26,833,900	\$ 40,863,562
Capital Assets	<u>61,857,425</u>	<u>84,272,183</u>
Total Assets	<u>\$ 88,691,325</u>	<u>\$125,135,745</u>
Liabilities		
Long-Term Liabilities	\$ 49,392,713	\$ 53,011,839
Other Liabilities	<u>23,221,868</u>	<u>22,820,989</u>
Total Liabilities	<u>\$ 72,614,581</u>	<u>\$ 75,832,828</u>
Net Assets		
Invested in Capital Assets, Net of Debt	\$ 51,753,240	\$ 73,078,118
Restricted	2,977,180	2,394,838
Unrestricted	<u>(38,653,676)</u>	<u>(26,170,039)</u>
Total Net Position	<u>\$ 16,076,744</u>	<u>\$ 49,302,917</u>

The District's combined net assets were \$16,076,744 and \$49,302,917 on June 30, 2018 and June 30, 2017 respectively. This decrease is mainly attributed to the retirement of the capital assets and the net pension liability.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

Table 2 shows the comparative changes in net assets from fiscal year 2018 and 2017.

Table 2 - Comparative Changes in Net Assets

	<u>2018</u>	<u>2017</u>	<u>Total % Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 469,939	\$ 517,141	-9.13%
Operating Grants and Contributions	28,812,955	40,075,867	-28.10%
Capital Grants and Contributions		18,130,074	
General Revenues:			
Property Taxes	52,706,484	51,729,848	1.89%
Grants and Entitlements	34,141,871	26,862,187	27.10%
Other	2,195,905	1,137,953	92.97%
Adjustment to Capital Assets	<u>(33,822,925)</u>		
Total Revenues	<u>84,504,229</u>	<u>138,453,070</u>	<u>-38.97%</u>
Program Expenses:			
Instruction	71,819,042	82,578,486	-13.03%
Support Services:			
Tuition/Pupils and Instructional Staff	13,162,624	9,191,340	43.21%
General Administration, School Administration, Business Operations and Maintenance of Facilities	24,216,624	25,590,310	-5.37%
Pupil Transportation	1,740,244	1,738,152	0.12%
Special Schools	75,827		
Debt Service	275,688	503,873	-45.29%
Food Service and Community School	2,025,965	2,052,524	-1.29%
Charter School	<u>4,414,390</u>		
Total Expenses	<u>117,730,402</u>	<u>121,654,685</u>	<u>-3.23%</u>
Increase (Decrease) in Net Assets	(33,226,173)	16,798,385	
Beginning Net Assets	<u>49,302,917</u>	<u>32,504,532</u>	
Ending Net Assets	<u>\$ 16,076,744</u>	<u>\$ 49,302,917</u>	

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

Government Activities

Property taxes, as approved by the voters of the Town of Kearny, made up 49.3% of revenues for governmental activities for the fiscal year 2018. The District's total revenues were \$169,583,087 for the year ended June 30, 2018. Federal, state and local grants accounted for another 31.9%.

The total cost of all programs and services was \$106,210,901. Instruction comprises 60.3% of the District's expenses.

Business-Type Activities

Revenues for the District's business-type activities (food service program) was comprised of charges for services and federal and state reimbursements.

Food service expenses exceeded revenues by \$332,497. Charges for services represent \$469,939 of revenue. This represents the amount paid by patrons for daily food service and catering.

Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities, were \$1,223,529.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3 - Comparative Statement of Activities

	Total Cost of Services			Net Cost of Services		
	2017-2018	2016-2017	% Change	2017-2018	2016-2017	% Change
Instruction	\$ 71,819,042	\$ 82,578,486	-13.03%	\$ 50,444,902	\$ 32,532,165	55.06%
Support Services:						
Tuition/Pupils and Instructional Staff	13,162,624	9,191,340	43.21%	10,948,310	6,106,454	79.29%
General Administration, School Administration, Business Operation and Maintenance of Facilities	24,216,623	25,590,310	-5.37%	20,326,369	21,783,814	-6.69%
Pupil Transportation	1,740,244	1,738,152	0.12%	1,642,464	1,681,610	-2.33%
Special Schools	75,827			62,889		
Debt Service	275,688	503,873	-45.29%	275,688	503,873	-45.29%
Charter School	4,414,390			4,414,390		
	<u>\$ 115,704,437</u>	<u>\$ 119,602,161</u>	<u>-3.26%</u>	<u>\$ 88,115,011</u>	<u>\$ 62,607,916</u>	<u>40.74%</u>

Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Extracurricular activities includes expenses related to student activities provided by the District which are designed to provide opportunities for students to participate in school and public events for the purpose of motivation, enjoyment, skill improvement, school spirit and leadership.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching students, including curriculum and staff development.

General administration, school administration and business operation include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities' activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, to school co-curricular, athletic activities and co-curricular field trips as provided by state law.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

Information about the District's major funds starts on Page 36. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$104,407,068 and expenditures of \$113,995,222.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2018 and June 30, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

Comparative Summary of Revenues

Revenue	<u>June 30, 2018</u>	<u>Percent of Total</u>	<u>June 30, 2017</u>	<u>(Decrease) from 2017</u>	<u>Increase (Decrease)</u>
Local Sources	\$ 54,178,041	51.89%	\$ 54,707,285	\$ (529,244)	-0.97%
State Sources	47,152,938	45.16%	50,709,284	(3,556,346)	-7.01%
Federal Sources	3,058,858	2.93%	12,108,340	(9,049,482)	-74.74%
Private Sources	17,231	0.02%	17,231	17,231	
	<u>\$104,407,068</u>	<u>100.00%</u>	<u>\$117,524,909</u>	<u>\$ (13,117,841)</u>	<u>-11.16%</u>

The decrease in Local Sources is attributed to decreases in miscellaneous revenue.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2018 and the amount and percentage of increases (decreases) in relation to prior year amounts.

Comparative Summary of Expenditures

Expenditures	<u>June 30, 2018</u>	<u>Percent of Total</u>	<u>June 30, 2017</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent of Increase (Decrease)</u>
Current Expenditures					
Instruction	\$ 39,724,708	34.85%	\$ 64,234,620	\$(24,509,912)	-38.16%
Undistributed	54,272,104	47.61%	30,898,518	23,373,586	75.65%
Capital Outlay	14,124,157	12.39%	20,380,694	(6,256,537)	-30.70%
Special Schools	54,176	0.05%		54,176	#DIV/0!
Charter School	4,414,390			4,414,390	#DIV/0!
Debt Service	1,405,688	1.23%	1,451,463	(45,776)	-3.15%
	<u>\$113,995,222</u>	<u>96.13%</u>	<u>\$116,965,295</u>	<u>\$ (2,970,073)</u>	<u>-2.54%</u>

The increase in Current Instruction is attributed to the costs of salaries of teachers and to serve increased enrollments.

The major Increases for Undistributed Expenditures are attributable to the following increased costs:

- Pupil Transportation Increases.
- Operation and Maintenance of Plant Services increases.

**TOWN OF KEARNY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED (CONTINUED)**

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2018, the District amended its General Fund budget as needed. The District uses program based budgeting and the budgeting systems are designed to tightly control program budgets, but provide flexibility for program management. Transfers from one program to another must be approved by the Board of Education.

At the end of the fiscal year 2018, the District had \$72,357,805 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

Table 4 - Capital Assets at June 30

	<u>2018</u>	<u>2017</u>
Land/Sites	\$ 245,000	\$ 245,000
Construction in Progress	14,837,027	48,221,799
Site Improvements	2,537,100	123,555
Buildings and Improvements	51,556,137	81,391,911
Vehicles	484,283	415,290
Machinery and Equipment	<u>2,698,258</u>	<u>2,028,467</u>
Totals	<u>\$ 72,357,805</u>	<u>\$ 132,426,022</u>

Overall capital assets increased \$12,564,694.15 from fiscal year 2017 to fiscal year 2018. The increase in capital assets was due primarily to the improvements made in the District during 2018. However, the overall balance in capital assets decreased due to the retirement of certain assets.

For the Future

The Town of Kearny Public School District is financially sound and is able to meet all instructional programs and service requirements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Dr. Edward F. Izbicki Sr., School Business Administrator/Board Secretary, Town of Kearny Public Schools, 172 Midlands Avenue, Kearny, New Jersey 07032.

BASIC FINANCIAL STATEMENTS

A. DISTRICT-WIDE FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 797,400.54	\$ 542,161.37	\$ 1,339,561.91
Investments	366,509.18		366,509.18
Receivables, Net	10,936,925.65	94,622.13	11,031,547.78
Inventories		8,950.60	8,950.60
Cash and Cash Equivalents	6,245,114.21		6,245,114.21
Total Current Assets	<u>18,345,949.58</u>	<u>645,734.10</u>	<u>18,991,683.68</u>
Noncurrent Assets:			
Capital Assets, Net (Note 5)	61,549,228.15	308,196.65	61,857,424.80
Total Noncurrent Assets	<u>61,549,228.15</u>	<u>308,196.65</u>	<u>61,857,424.80</u>
Total Assets	<u>79,895,177.73</u>	<u>953,930.75</u>	<u>80,849,108.48</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension	7,561,140.00		7,561,140.00
Deferred Amount on Debt Refunding	281,076.00		281,076.00
Total Deferred Outflows of Resources	<u>7,842,216.00</u>		<u>7,842,216.00</u>
Total Assets and Deferred Outflows	<u>\$ 87,737,393.73</u>	<u>\$ 953,930.75</u>	<u>\$ 88,691,324.48</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 942,234.49	\$ 124,189.31	\$ 1,066,423.80
Intergovernmental Accounts Payable	22,090.29		22,090.29
Accrued Interest	115,867.00		115,867.00
Note Payable	15,000,000.00		15,000,000.00
Unearned Revenue	415,716.36		415,716.36
Due Within One Year	1,135,000.00		1,135,000.00
Total Liabilities	<u>17,630,908.14</u>	<u>124,189.31</u>	<u>17,755,097.45</u>
Long-Term Liabilities:			
Due Beyond One Year	49,392,713.26		49,392,713.26
	<u>49,392,713.26</u>		<u>49,392,713.26</u>
Total Liabilities	<u>67,023,621.40</u>	<u>124,189.31</u>	<u>67,147,810.71</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount Related to Pension	5,459,868.00		5,459,868.00
Deferred Commodities Revenue		6,902.07	6,902.07
Total Deferred Inflows of Resources	<u>5,459,868.00</u>	<u>6,902.07</u>	<u>5,466,770.07</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	51,445,043.09	308,196.65	51,753,239.74
Restricted for:			
Debt Service	1.03		1.03
Capital Projects	479,204.64		479,204.64
Other Purposes	2,497,974.62		2,497,974.62
Unrestricted	(39,168,319.05)	514,642.72	(38,653,676.33)
Total Net Position	<u>15,253,904.33</u>	<u>822,839.37</u>	<u>16,076,743.70</u>
Total Liabilities and Net Position	<u>\$ 87,737,393.73</u>	<u>\$ 953,930.75</u>	<u>\$ 88,691,324.48</u>

The accompanying notes to financial statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 56,053,841.76	\$	\$ 17,083,012.56	\$ (38,970,829.20)	\$	\$ (38,970,829.20)
Other Special Instruction	9,920,716.59		2,906,116.57	(7,014,600.02)		(7,014,600.02)
Vocational Education	2,778,454.44		1,385,010.39	(1,393,444.05)		(1,393,444.05)
Other Instruction	3,066,028.77			(3,066,028.77)		(3,066,028.77)
Support Services:						
Tuition	4,170,786.02			(4,170,786.02)		(4,170,786.02)
Student and Instruction Related Services	8,991,837.48		2,214,313.72	(6,777,523.76)		(6,777,523.76)
General Administrative Services	2,224,329.31		225,327.89	(1,999,001.42)		(1,999,001.42)
School Administrative Services	9,016,477.78		2,294,417.08	(6,722,060.70)		(6,722,060.70)
Central Services	1,285,789.31		122,864.11	(1,162,925.20)		(1,162,925.20)
Administration of Information Technology	953,769.43		131,768.53	(822,000.90)		(822,000.90)
Plant Operations and Maintenance	10,327,879.49		1,059,374.28	(9,268,505.21)		(9,268,505.21)
Security	408,378.18		56,502.67	(351,875.51)		(351,875.51)
Pupil Transportation	1,740,244.18		97,779.97	(1,642,464.21)		(1,642,464.21)
Special Schools	75,826.72		12,937.94	(62,888.78)		(62,888.78)
Interest Expense	275,687.50			(275,687.50)		(275,687.50)
Charter School	4,414,390.00			(4,414,390.00)		(4,414,390.00)
Total Governmental Activities	<u>115,704,436.95</u>		<u>27,589,425.71</u>	<u>(88,115,011.24)</u>		<u>(88,115,011.24)</u>
Business-Type Activities:						
Food Service	2,025,965.31	469,939.10	1,223,529.05		(332,497.16)	(332,497.16)
Total Business-Type Activities	<u>2,025,965.31</u>	<u>469,939.10</u>	<u>1,223,529.05</u>	<u>-</u>	<u>(332,497.16)</u>	<u>(332,497.16)</u>
Total Primary Government	<u>\$ 117,730,402.26</u>	<u>\$ 469,939.10</u>	<u>\$ 28,812,954.76</u>	<u>\$ (88,115,011.24)</u>	<u>\$ (332,497.16)</u>	<u>\$ (88,447,508.40)</u>
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 52,706,484.00	\$	\$ 52,706,484.00
Federal and State Aid Not Restricted				34,141,870.90		34,141,870.90
Other Restricted Miscellaneous Revenue				1,115,945.23		1,115,945.23
Miscellaneous Income				372,842.82		372,842.82
Transfers				369,583.55	337,533.61	707,117.16
Retirement of Capital Assets				(34,029,644.93)	206,719.92	(33,822,925.01)
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>54,677,081.57</u>	<u>544,253.53</u>	<u>55,221,335.10</u>
Change in Net Position				(33,437,929.67)	211,756.37	(33,226,173.30)
Net Position - Beginning				48,691,834.00	611,083.00	49,302,917.00
Net Position - Ending				<u>\$ 15,253,904.33</u>	<u>\$ 822,839.37</u>	<u>\$ 16,076,743.70</u>

The accompanying notes to financial statements are an integral part of this statement.

B. FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 797,400.54	\$ 117,874.21	\$ 966,210.22	\$ 1.03	\$ 1,881,486.00
Investments	366,509.18		5,161,028.75		5,527,537.93
Accounts Receivable:					
Federal		409,559.87	3,051,415.73		3,460,975.60
State	667,191.69		4,829,093.46		5,496,285.15
Local			1,979,660.90		1,979,660.90
Interfunds	441,650.42				441,650.42
Tax Levy Receivable	4.00				4.00
Total Assets	<u>\$ 2,272,755.83</u>	<u>\$ 527,434.08</u>	<u>\$ 15,987,409.06</u>	<u>\$ 1.03</u>	<u>\$ 18,787,600.00</u>
 <u>LIABILITIES</u>					
Interfunds Payable	\$	\$	\$ 441,650.42	\$	\$ 441,650.42
Accounts Payable	692,395.98	249,838.51			942,234.49
Loans Payable			15,000,000.00		15,000,000.00
Intergovernmental Accounts Payable - State		22,090.29			22,090.29
Unearned Revenue	58,911.58	290,250.78	66,554.00		415,716.36
Total Liabilities	<u>751,307.56</u>	<u>562,179.58</u>	<u>15,508,204.42</u>	<u>-</u>	<u>16,821,691.56</u>
 <u>FUND BALANCES</u>					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Years Expenditures	19,104.00				19,104.00
Capital Reserve	585,866.21				585,866.21
Adult Education Program	53,876.08				53,876.08
Capital Projects			479,204.64		479,204.64
Committed Fund Balance:					
Year End Encumbrances	1,441,048.33				1,441,048.33
Assigned Fund Balance:					
Designated for Subsequent Expenditures	398,080.00				398,080.00
Unassigned Fund Balance	(978,526.35)	(34,745.50)		1.03	(1,011,270.82)
Total Fund Balances	<u>1,521,448.27</u>	<u>(34,745.50)</u>	<u>479,204.64</u>	<u>1.03</u>	<u>1,965,908.44</u>
Total Liabilities and Fund Balances	<u>\$ 2,272,755.83</u>	<u>\$ 527,434.08</u>	<u>\$ 15,987,409.06</u>	<u>\$ 1.03</u>	<u>\$ 18,787,600.00</u>
Total Fund Balance above:					\$ 1,965,908.44
Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:					
Deferred outflows related to pension contributions subsequent to the net position liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements.					7,561,140.00
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$72,357,804.92 and the accumulated depreciation is \$10,808,578.77 (See Note 5).					61,549,228.15
Deferred inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements					(5,459,868.00)
Long-term liabilities, including bonds, loans and leases payable are not payable in the current period and therefore are not reported as liabilities in the funds (See Note 5).					
General Obligation Bonds Payable				\$ (6,806,377.83)	
Obligations Under Lease Purchase Agreements				(3,297,807.23)	
Compensated Absences				(15,481,583.20)	
Net Pension Liability				(24,941,945.00)	
Accrued Interest				(115,867.00)	
Deferred Amount on Debt Refunding				281,076.00	
					<u>(50,362,504.26)</u>
Net Position of Governmental Activities (A-1)					<u>\$ 15,253,904.33</u>

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>REVENUES</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Local Sources:					
Local Tax Levy	\$ 51,694,717.00	\$	\$	\$ 1,011,767.00	\$ 52,706,484.00
Summer School	37,705.00				37,705.00
Interest on Capital Reserve	50.00				50.00
Rents	173,771.50				173,771.50
Unrestricted Miscellaneous Revenues	188,397.49				188,397.49
Other Restricted Miscellaneous Revenues	662,983.67		14,728.29	393,921.00	1,071,632.96
Total Revenues - Local Sources	<u>52,757,624.66</u>		<u>14,728.29</u>	<u>1,405,688.00</u>	<u>54,178,040.95</u>
Private Sources		17,231.10			17,231.10
State Sources	45,872,757.46	1,280,180.44			47,152,937.90
Federal Sources	130,477.71	2,928,380.04			3,058,857.75
Total Revenues	<u>98,760,859.83</u>	<u>4,225,791.58</u>	<u>14,728.29</u>	<u>1,405,688.00</u>	<u>104,407,067.70</u>
 <u>EXPENDITURES</u>					
Current:					
Regular Instruction	28,423,858.61	2,897,226.48			31,321,085.09
Special Education	5,056,982.42				5,056,982.42
Vocational Education	280,611.34				280,611.34
Other Instruction	3,066,028.77				3,066,028.77
Support Services and Undistributed Costs:					
Tuition	4,170,786.02				4,170,786.02
Student and Instruction Related	4,749,511.32	1,334,855.76			6,084,367.08
General and Business Administrative	1,532,410.10				1,532,410.10
School Administration Services	4,813,094.03				4,813,094.03
Central Services	911,172.76				911,172.76
Administration of Information Technology	552,873.04				552,873.04
Plant Operations and Maintenance	7,101,446.98				7,101,446.98
Security	236,472.82				236,472.82
Pupil Transportation	1,435,221.35				1,435,221.35
Employee Benefits	27,434,260.04				27,434,260.04
Special Schools	54,176.15				54,176.15
Capital Outlay	3,480,471.05	28,454.84	10,615,230.96		14,124,156.85
Debt Service:					
Principal				1,130,000.00	1,130,000.00
Interest				275,687.50	275,687.50
Charter School	4,414,390.00				4,414,390.00
Total Expenditures	<u>97,713,766.80</u>	<u>4,260,537.08</u>	<u>10,615,230.96</u>	<u>1,405,687.50</u>	<u>113,995,222.34</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>1,047,093.03</u>	<u>(34,745.50)</u>	<u>(10,600,502.67)</u>	<u>0.50</u>	<u>(9,588,154.64)</u>
Other Financing Sources (Uses):					
Transfer to Enterprise Fund	(337,533.61)				(337,533.61)
General Fund to Capital Outlay	(764,866.31)		764,866.31		
Capital Reserve - Transfer to Capital Project Fund	(2,000,000.00)		2,000,000.00		
Capital Leases (Nonbudgeted)	707,117.16				707,117.16
	<u>(2,395,282.76)</u>		<u>2,764,866.31</u>		<u>369,583.55</u>
Net Change in Fund Balance	(1,348,189.73)	(34,745.50)	(7,835,636.36)	0.50	(9,218,571.09)
Fund Balances, July 1,	2,869,638.00		8,314,841.00	0.53	11,184,479.53
Fund Balances, June 30	<u>\$ 1,521,448.27</u>	<u>\$ (34,745.50)</u>	<u>\$ 479,204.64</u>	<u>\$ 1.03</u>	<u>\$ 1,965,908.44</u>

**KEARNY BOARD OF EDUCATION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Ref.</u>	
Total Net Change in Balances - Governmental Funds	B-2	\$ (9,218,571.09)
Amount Reported for Governmental Activities in the Statement of Activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense		\$ (1,159,106.07)
Capital Outlays		<u>14,124,156.85</u>
		12,965,050.78
Payment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		(852,345.54)
The issuance of long-term debt provides current financial resources and increases long-term liabilities in the statement of net position. It does not affect the statement of activities.		
Capital Lease Proceeds		(707,117.16)
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed.		
		(34,029,644.93)
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.		
Proceeds of Long-Term Debt		1,130,000.00
Amortization of Premium		39,694.17
Amortization of Deferred Loss on Refunding		(74,839.00)
Payment of Capital Lease Proceeds - Net		<u>356,087.77</u>
		1,450,942.94
Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest cost, administrative costs, investment returns and experience/assumptions. This is the amount by which net position liability and deferred inflows/outflows relate to pension changes during the period.		
		(12,817.47)
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 expense accrues, regardless of when it is due.		
		20,980.00
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		
		<u>(3,054,407.20)</u>
Change in Net Position of Governmental Activities	A-2	<u>\$ (33,437,929.67)</u>

PROPRIETARY FUNDS

KEARNY BOARD OF EDUCATION
 COMBINING SCHEDULE OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

	<u>Business-Type Activities Enterprise Fund Food Service</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 542,161.37
Accounts Receivable:	
Federal Sources	94,622.13
Inventories:	
Food	8,950.60
Total Current Assets	<u>645,734.10</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	462,300.00
Less Accumulated Depreciation	(154,103.35)
Total Noncurrent Assets	<u>308,196.65</u>
Total Assets	<u>\$ 953,930.75</u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 124,189.31</u>
Total Liabilities	<u>\$ 124,189.31</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Commodities Revenue	\$ 6,902.07
Total Deferred Inflows of Resources	<u>6,902.07</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 131,091.38</u>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	\$ 308,196.65
Unrestricted	<u>514,642.72</u>
Total Net Position	<u>\$ 822,839.37</u>

KEARNY BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities Enterprise Fund Food Service
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 292,009.25
Daily Sales - Non-Reimbursable Programs	175,449.75
Other Sales	2,480.10
Total Operating Revenues	<u>469,939.10</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	672,928.60
Cost of Sales - Non-Reimbursable Programs	82,559.00
Personnel Costs	1,049,090.19
General Supplies	52,851.51
Other Purchased Professional Services	4,407.32
Management Fee	71,408.48
Other Expenses	63,700.15
Depreciation	29,020.06
Total Operating Expenses	<u>2,025,965.31</u>
Operating Loss	<u>(1,556,026.21)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
School Lunch Program	20,111.19
Federal Sources:	
School Breakfast Program	198,575.71
School Lunch Program	1,008,296.48
Performance Based Lunch	141,613.07
Food Distribution Program	(145,067.40)
Total Nonoperating Revenues (Expenses)	<u>1,223,529.05</u>
Gain (Loss) before Contributions and Transfers	(332,497.16)
Transfer In	<u>337,533.61</u>
Change in Net Position	5,036.45
Total Net Position - Beginning	<u>817,802.92</u>
Total Net Position - Ending	<u>\$ 822,839.37</u>

KEARNY BOARD OF EDUCATION
 COMBINING SCHEDULE OF CASH FLOWS
 PROPRIETARY FUNDS
 JUNE 30, 2018

	<u>Business-Type Activities Enterprise Fund Food Service</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 469,939.08
Personnel Costs	(1,049,090.19)
Payments to Vendor	(861,587.47)
Net Cash Provided by (Used for) Operating Activities	<u>(1,440,738.58)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
State Sources	21,531.57
Federal Sources	1,196,907.47
Operating Subsidies and Transfers	337,533.61
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,555,972.65</u>
<u>Cash Flows from Investing Activities</u>	
Capital Assets Acquired	<u>(31,600.00)</u>
Net Increase in Cash	83,634.07
Balance - Beginning of Year	<u>458,527.30</u>
Balance - End of Year	<u>\$ 542,161.37</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Loss	\$ (1,556,026.21)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:	
Depreciation	29,020.06
Change in Assets and Liabilities:	
(Increase)/Decrease in Inventory	2,526.46
Increase/(Decrease) in Other Accounts Payable	83,741.11
Total Adjustments	<u>115,287.63</u>
Net Cash Used by Operating Activities	<u>\$ (1,440,738.58)</u>

FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF JUNE 30, 2018**

	<u>Scholarship Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 595,011.08	\$ 966,157.54	\$ 1,065,587.98
Investments	207,542.19		
Interfunds Receivable		1,121.00	
Total Assets	<u>\$ 802,553.27</u>	<u>\$ 967,278.54</u>	<u>\$ 1,065,587.98</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$	\$ 673,356.94
Interfunds Payable			1,121.00
Accounts Payable		505.42	
Intergovernmental Accounts Payable		51,822.26	
Due to Student Groups			391,110.04
Total Liabilities		<u>\$ 52,327.68</u>	<u>\$ 1,065,587.98</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 802,553.27</u>	<u>\$ 914,950.79</u>	

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Plan Members	\$	\$ 135,756.00
Scholarship Donations	113,101.00	
Investment Earnings:		
Interest	1,596.27	1,074.38
Total Additions	<u>114,697.27</u>	<u>136,830.38</u>
Reductions:		
Payments to Department of Labor		92,919.08
Payments to Vendor		7,076.86
Scholarship Payment	100.00	
Other	10.00	
Total Reductions	<u>110.00</u>	<u>99,995.94</u>
Change in Net Position	114,587.27	36,834.44
Total Net Position - Beginning	<u>687,966.00</u>	<u>878,116.35</u>
Total Net Position - Ending	<u>\$ 802,553.27</u>	<u>\$ 914,950.79</u>

NOTES TO FINANCIAL STATEMENTS

KEARNY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Kearny School District (the "District") is a Type II District located in the County of Hudson, State of New Jersey. As a Type II District, the District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in grades K - 12. The District had an approximate enrollment at June 30, 2018 of 5,628 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 District, this includes general operations, food service and student related activities of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- . the organization is legally separate (can sue or be sued in their own name)
- . the District holds the corporate powers of the organization
- . the District appoints a voting majority of the organization's board
- . the District is able to impose its will on the organization
- . the organization has the potential to impose a financial benefit/burden on the District
- . there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

2. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

A. ***Basis of Presentation (Continued)***

1. ***Government-Wide Financial Statements (Continued)***

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. ***Fund Financial Statements***

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. ***Fund Accounting***

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. ***Governmental Funds***

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America (GAAP) as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Permanent Fund - The Permanent Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. Resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting entity's programs - that is, for the benefit of the school district. The District presently has no resources that are considered permanent funds.

2. Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the District:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

Enterprise Fund (Continued)

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Machinery and Equipment	5 - 12 Years

Internal Service Funds - These funds may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity and its component units, or to other governments, on a cost-reimbursement basis. In addition, internal service funds are used only if the reporting school district is the predominant participant in the activity. The District does not currently utilize any Internal Service Funds.

3. Fiduciary Funds

Fiduciary Fund reporting focuses on net position and changes in net position. They are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. There are four fiduciary fund types - pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts and agency funds. The overarching rule for these funds is that they should never be used to report resources that can be used for programs of the reporting district.

Private Purpose Scholarship Funds

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Fund includes the Unemployment Compensation Insurance Fund and Scholarship Funds.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

Unemployment Insurance Trust - The SUI Fund is an employee benefit trust fund which accounts for resources held and administered while acting in a fiduciary capacity for individuals or other government agencies. Assets are held in trust for members of the defined contribution plan.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Fund Accounting (Continued)**

3. **Fiduciary Funds (Continued)**

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. These funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

4. **Long-Term Debt**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt, not in the governmental funds. This includes serial bonds outstanding that are expected to be financed from governmental funds, the outstanding principal balance on capital leases, lease-purchase agreements, compensated absences, claims and judgments, early retirement incentive programs and rebatable arbitrage.

C. **Measurement Focus**

1. **Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position.

2. **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. **Basis of Accounting**

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County Office for approval. Budgets which meet the tax levy cap requirements do not require voter approval. Budgets which exceed the tax levy cap require voter approval for the excess amount at the November election. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.).

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 generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the General Fund Revenue and Special Revenue Fund Revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 98,248,625.33	\$4,268,487.58
Difference - Budget-to-GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and related revenue is recognized.		(7,950.50)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements - current year.	(2,920,796.50)	(34,745.50)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements - prior year.	<u>3,433,031.00</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 98,760,859.83</u>	<u>\$4,225,791.58</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule.	\$ 99,713,766.80	\$4,268,487.58
Difference - Budget-to-GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(7,950.50)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 99,713,766.80</u>	<u>\$4,260,537.08</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Encumbrances

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

Open encumbrances in the Special Revenue Fund, for which the District has received advances, are reflected in the balance sheet as deferred inflows at fiscal year end. There were no open encumbrances recorded in the Special Revenue Fund as of June 30, 2018.

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

G. Assets, Liabilities and Equity

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

2. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

3. Allowance for Uncollectible Accounts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

4. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

5. Tuition Payable

Tuition charges for the fiscal years 2016-17 and 2017-18 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

6. Short-Term Interfund Receivables/Payables

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

7. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 40 Years
Furniture and Equipment	7 - 20 Years
Vehicles	8 Years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

9. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

10. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

11. Net Position

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

The District has implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

11. Net Position (Continued)

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

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

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

12. Deferred Inflows

Deferred inflows in the special revenue fund represents cash that has been received but not yet earned.

13. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

14. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") 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. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. **Nonspendable** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. **Restricted** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. **Committed** - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

14. Fund Balance (Continued)

- d. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- e. Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a position unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

15. Proprietary Funds Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise fund (the Food Service) are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

16. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the Capital Projects Fund. The liability, if any, is recorded in the "Statement of Net Position".

17. Non-Monetary Transactions

Commodities received under the Federal Food Distribution Program are received by the District and are recorded as nonoperating revenue when received in the food service enterprise fund at market value. The use of the commodities is included in cost of sales.

18. Allocation of Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Employee benefits, including the employer's share of social security, worker's compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

19. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

20. Accounting and Financial Reporting for Pensions

In fiscal year 2018, the District implemented GASB 75. This Statement replaces the requirements of Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions as amended and No. 57 OPEB Measurements' by Agent Employers and Agent Multiple-Employer Plans, for OPEB Statement No.74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establish new accounting and financial reporting requirements for OPEB plans. This statement is effective for periods beginning after June 15, 2017.

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement was effective for periods beginning after June 15, 2014.

The District has also implemented GASB Statement 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment to GASB No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

20. Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

21. Other Accounting Standards

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 83. Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 84. Fiduciary Activities.* 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 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not expect this Statement to impact its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities and Equity (Continued)

21. Other Accounting Standards (Continued)

- *GASB Statement No. 87. Leases.* 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.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

- *GASB Statement No. 88. Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

- *GASB Statement No. 89. Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statements should be applied prospectively.

- *GASB Statement No. 90: Majority Equity Interests - An amendment of GASB Statements No.14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District does not expect this Statement to impact its financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months, but less than twelve months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits

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

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

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

As of June 30, 2018, cash and cash equivalents (Deposits) of the District consisted of the following:

Checking and Money Market Accounts, Interest Bearing	<u>\$ 10,696,027.66</u>
--	-------------------------

Of the total amount, deposits of \$585,866.21 have been earmarked towards the Capital Reserve Account (See Note 4).

Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the school district or local unit of which the school district is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

The District had no securities as of June 30, 2018 that would be considered investments as defined by GASB No. 3 as amended by GASB No. 40.

4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the district. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long-Range Facilities Plan (LRFP). Upon submission of the LRFP to the 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$2,368,729.00
Increased by:	
Transfer by Board of Education	<u>217,137.21</u>
	2,585,866.21
Decreased by:	
Budgeted Transfer to Capital Outlay	<u>(2,000,000.00)</u>
Ending Balance, June 30, 2018	<u>\$ 585,866.21</u>

5. CAPITAL ASSETS

Classification of Balances - June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reallocation</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Nondepreciable:					
Sites	\$ 245,000.00	\$	\$	\$	\$ 245,000.00
Construction-in-Progress	48,221,799.00	10,615,228.41		(44,000,000.00)	14,837,027.41
	<u>48,466,799.00</u>	<u>10,615,228.41</u>		<u>(44,000,000.00)</u>	<u>15,082,027.41</u>
Depreciable:					
Site Improvements	123,555.00			2,413,545.00	2,537,100.00
Buildings and Improvements	81,391,911.00	838,266.21	(72,632,911.23)	41,958,870.58	51,556,136.56
Vehicles	415,290.00			68,992.56	484,282.56
Machinery and Equipment	2,028,467.00	1,111,199.53		(441,408.14)	2,698,258.39
	<u>83,959,223.00</u>	<u>1,949,465.74</u>	<u>(72,632,911.23)</u>	<u>44,000,000.00</u>	<u>57,275,777.51</u>
Total Assets	132,426,022.00	12,564,694.15	(72,632,911.23)		72,357,804.92
Less Accumulated Depreciation:					
Buildings and Improvements	<u>(48,252,737.00)</u>	<u>(1,159,106.07)</u>	<u>38,603,266.30</u>		<u>(10,808,576.77)</u>
Assets Net of Depreciation	<u>\$ 84,173,285.00</u>	<u>\$ 11,405,588.08</u>	<u>\$ (34,029,644.93)</u>	<u>\$ -</u>	<u>\$ 61,549,228.15</u>
<u>Capital Outlay</u>					
General		\$ 3,480,471.05			
Special Revenue		28,454.84			
Capital Projects		10,615,230.96			
		<u>14,124,156.85</u>			
Less: Debt		<u>(1,559,462.70)</u>			
Total Additions to Capital Assets		<u>\$ 12,564,694.15</u>			

Business-Type Activities

The following is a summary of Proprietary Fund type fixed assets at June 30, 2018:

Machinery and Equipment	\$ 462,300.00
Less: Accumulated Depreciation	<u>(154,103.35)</u>
Net Fixed Assets	<u>\$ 308,196.65</u>

6. LONG-TERM DEBT

Long-Term Liability Conversion Schedule - June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due One Year</u>	<u>Long-Term Portion</u>
Compensated Absences	\$ 12,427,176.00	\$ 3,054,407.20	\$	\$ 15,481,583.20	\$	\$ 15,481,583.20
Lease Purchase Payable	3,653,895.00	707,117.16	1,063,204.93	3,297,807.23		3,297,807.23
Net Pension Liability	32,410,578.00		7,468,633.00	24,941,945.00		24,941,945.00
Serial Bonds Payable	7,450,000.00		1,130,000.00	6,320,000.00	1,135,000.00	5,185,000.00
Premium on Bond Sale	526,072.00		39,694.17	486,377.83		486,377.83
	<u>\$ 56,467,721.00</u>	<u>\$ 3,761,524.36</u>	<u>\$ 9,701,532.10</u>	<u>\$ 50,527,713.26</u>	<u>\$ 1,135,000.00</u>	<u>\$ 49,392,713.26</u>

6. LONG-TERM DEBT (Continued)

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. Interest rates on outstanding bonds are 4.00%.

Principal and interest due on serial bonds outstanding is as follows:

Year	2015 Refunding Bonds		
	Principal	Interest	Total
2019	\$ 1,135,000.00	\$ 230,100.00	\$ 1,365,100.00
2020	1,135,000.00	184,700.00	1,319,700.00
2021	1,140,000.00	139,200.00	1,279,200.00
2022	1,140,000.00	93,600.00	1,233,600.00
2023-2027	<u>1,770,000.00</u>	<u>86,200.00</u>	<u>1,856,200.00</u>
	<u>\$ 6,320,000.00</u>	<u>\$ 733,800.00</u>	<u>\$ 7,053,800.00</u>

B. Bonds Authorized but Not Issued

As of June 30, 2018, the Board had no authorized but not issued bonds.

C. Lease Purchase Agreement

The Board has entered into a lease purchase agreement with Signature Public Funding Corp. The details are as follows:

Date:	April 26, 2016
Period:	August 15, 2016 to August 15, 2020
Yield:	1.49%
Principal:	\$4,120,000.00
Interest	<u>143,308.10</u>
	<u>\$4,263,308.10</u>

The following is a schedule of the future minimum lease payments under the Lease Purchase Agreements:

Year	Governmental Activities
June 30, 2019	\$ 1,212,290.80
June 30, 2020	1,006,619.80
June 30, 2021	1,006,619.80
June 30, 2022	154,273.80
June 30, 2023	<u>115,705.35</u>
Total Minimum Lease Payments	3,495,509.55
Less: Amount Representing Interest	<u>(197,702.32)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,297,807.23</u>

7. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P. O. Box 295, Trenton, New Jersey 08625.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on-behalf of the District and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Pension benefits for members enrolled in PERS after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the system.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

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

7. PENSION PLANS (Continued)

Significant Legislation (Continued)

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

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for TPAF and PERS is currently 7.34% of employees' annual compensation, as defined.

Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premium. Under current statute, the school is a noncontributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Net Cost to District</u>	<u>Percentage of APC Contributed</u>
June 30, 2018	\$ 992,596.00	\$992,596.00	100%
June 30, 2017	972,177.00	972,177.00	100%
June 30, 2016	932,750.00	932,750.00	100%

7. **PENSION PLANS (Continued)**

Significant Legislation (Continued)

**Three-Year Trend Information for TPAF
(Paid On-Behalf of the District)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Post- Retirement Medical Benefits</u>	<u>Long-Term Disability Insurance</u>
June 30, 2018	\$ 5,683,050.00	100%	\$ 3,670,561.00	\$ 7,888.00
June 30, 2017	3,174,228.00	100%	3,632,071.00	9,663.00
June 30, 2016	2,088,031.00	100%	3,799,751.00	

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$5,683,050.00 to the TPAF for normal pension, \$3,670,561.00 for post-retirement medical benefits and \$7,888.00 for long-term disability insurance On-Behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$2,468,392.96 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the State's portion of the net pension liability that was associated with the district was \$261,292,128, as measured on June 30, 2017 and \$313,542,609 as measured on June 30, 2016.

For the year ended June 30, 2018, the district recognized pension expense of \$13,749,287 and revenue of \$13,749,287 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2016 and June 30, 2017.

7. **PENSION PLANS (Continued)**

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Collective Deferred Outflows of Resources	\$17,414,701,002	\$14,160,879,257
Collective Deferred Inflows of Resources	134,532,594	11,800,239,661
Collective Net Pension Liability (Nonemployer - State of New Jersey)	78,666,367,052	67,423,605,859
State's Portion of the Net Pension Liability that was Associated with the District	313,542,609	261,292,128
State's Portion of the Net Pension Liability that was Associated with the District as a Percentage of the Collective Net Pension Liability	0.3985725693%	0.3875380527%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate:	2.25%
Salary Increases: 2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return:	7.00%

Preretirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

7. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the District has no proportionate share of the net pension liability because of the special funding situation, the District would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf18.pdf>.

7. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

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

At June 30, 2018, the District reported a liability of \$24,941,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the District's proportion was 0.1071462973%, which was an increase of 0.1094318588% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,005,407. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 587,297	\$
Changes of Assumptions	5,024,942	5,006,520
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	169,838	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	786,467	453,348
District Contributions Subsequent to the Measurement Date	992,596	
Total	<u>\$ 7,561,140</u>	<u>\$ 5,459,868</u>

7. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

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

The \$992,596 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018 the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2018	\$ 587,157.58
2019	886,035.02
2020	536,891.92
2021	(714,067.64)
2022	(520,459.98)
	<u>\$ 775,556.90</u>

Additional Information:

Collective balances at June 30, 2016 and 2017 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Collective Deferred Outflows of Resources	\$ 8,685,338,380	\$ 6,424,455,842
Collective Deferred Inflows of Resources	870,133,595	5,700,625,981
Collective Net Pension Liability (Nonstate - Local Group)	29,617,131,759	23,278,401,588
District's Portion of Net Pension Liability	32,410,578	24,941,945
District's Proportion %	0.1094318588%	0.1071462973%

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability measured as of June 30, 2017, calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	<u>1% Decrease</u> <u>(4.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.00%)</u>	<u>1% Increase</u> <u>(6.00%)</u>
District's Proportionate Share of the Collective Net Pension Liability	\$ 30,942,176	\$ 24,941,945	\$ 19,943,010

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

8. POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employee Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

8. **POST-RETIREMENT BENEFITS (Continued)**

General Information about the OPEB Plan (Continued)

Plan Description and Benefits Provided (Continued)

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical 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 (APB) who retired from a board of education or county college with 25 years of service. (GASB Cod. Sec. 2300.106(g)).

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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB's No. 75.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

TPAF Participant Retirees

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS Participant Retirees

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB's No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>).

8. POST-RETIREMENT BENEFITS (Continued)

Total OPEB Liability (Continued)

Actual assumptions and other imputes. The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases: Through 2026	1.55 - 4.55% Based on Years of Service	2.15 - 4.15% Based on Age
Thereafter	2.00 - 5.45% Based on Years of Service	3.15 - 5.15% Based on Age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-Retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 - June 30, 2014 for TPAF and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. 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.

8. **POST-RETIREMENT BENEFITS (Continued)**

Changes in the Total OPEB Liability Reported by the State of New Jersey

	<u>Increase/(Decrease)</u>
	<u>Total OPEB Liability</u>
Balance as of June 30, 2016 Measurement Date	<u>\$57,831,784,184</u>
Changes Recognized for the Fiscal Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments ¹	(1,242,412,566)
Contributions from the Nonemployer	N/A
Contributions from the Member ¹	45,748,749
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	<u>(4,191,942,326)</u>
Balance as of June 30, 2017 Measurement Date	<u>\$53,639,841,858</u>

¹Employer benefit payments and employee contributions were provided by the State.

At June 30, 2018, the State's proportionate share of the OPEB liability attributable to the District is \$189,863,171. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund - Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the State's share of the OPEB liability attributable to the District was .35396 percent, which was an increase of .00159 percent from its proportionate share measured as of June 30, 2016 of .3555 percent.

There were no changes of benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2017		
	<u>At 1% Decrease (2.58%)</u>	<u>At Discount Rate (3.58%)</u>	<u>At 1% Increase (4.58%)</u>
Total OPEB Liability (School Retirees)	\$ 225,381,282	\$ 189,863,171	\$ 161,689,868

8. **POST-RETIREMENT BENEFITS (Continued)**

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Discount Rate (Continued)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability (School Retirees)	\$ 246,339,139	\$ 205,621,681	\$ 173,571,823

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability (School Retirees)	\$ 156,144,104	\$ 189,863,171	\$ 234,641,695

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability (School Retirees)	\$ 168,718,314	\$ 205,621,681	\$ 254,957,966

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$11,519,501 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB's No. 75 and in which there is a special funding situation. This amount has been included in the District-Wide Statement of Activities (accrual basis) as a Revenue and Expense in accordance with GASB No. 85.

In accordance with GASB's No. 75, the Kearny School District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

8. **POST-RETIREMENT BENEFITS (Continued)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Assumption Changes	\$	\$(6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	<u>1,190,373,242</u>	
Total	<u>\$1,190,373,242</u>	<u>\$(6,343,769,032)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

9. **DEFINED CONTRIBUTION RETIREMENT PROGRAM**

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).

9. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for the past year are as follows:

<u>Year</u>	<u>School District</u>	<u>Employees</u>
2017	\$49,766.18	\$78,602.68

10. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. The current portion of the compensated absences balance of the governmental funds is reported separately on the Statement of Net Position.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the Proprietary Fund types.

11. DEFERRED COMPENSATION

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

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 135,756	\$ 99,996	\$ 178,484	\$ 914,951
2017	125,369	157,808	149,082	878,116
2016	130,417	130,982	168,441	914,412

13. INTERFUND RECEIVABLES AND PAYABLES

The following are reflected as interfund receivables and payables on the various balance sheets at June 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 441,650.42	\$
Capital Projects Fund		441,650.42
Unemployment Trust Fund	1,121.00	
Agency Trust Fund:		1,121.00
	<u>\$ 442,771.42</u>	<u>\$ 442,771.42</u>

14. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental Accounts Receivable at June 30, 2018 consisted of Federal Source, State Source, transportation, a capital project grant for the new high school and other revenue. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Business- Type Activities</u>
State Aid:		
General Fund:		
TPAF FICA Reimbursement	\$ 256,456.69	
Extraordinary Aid	<u>410,735.00</u>	
	<u>\$ 667,191.69</u>	
Special Revenue Fund:		
Federal Source	<u>\$ 409,559.87</u>	
Proprietary Fund:		
Enterprise Fund:		
Federal Source		<u>\$ 94,622.13</u>

15. INVENTORY

Inventory in the Enterprise Fund for regular food and supplies and Food Distribution Program Commodities at June 30, 2018 of \$6,902.07 and \$8,950.60, respectively, is stated at lower of cost or market.

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

16. PREMIUM ON BOND SALE

In governmental funds, bond sale premiums are recognized in the current period. For the District-wide financial statements, governmental activity bond sale premiums are amortized straight-line over the life of the specific bonds (11 years). The premium associated with the 2015 refunding bonds amounted to \$706,405.90; accumulated amortization through June 30, 2018 was \$220,028.07.

17. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$1,521,448.27 General Fund fund balance at June 30, 2018, \$1,441,048.33 is reserved for encumbrances; \$585,866.21 has been reserved in the Capital Reserve Account; \$53,876.08 has been reserved in the Adult Education Program Account; \$398,080.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2019; \$19,104.00 is reserved as excess surplus designated for subsequent years' expenditures and \$(976,526.35) is unreserved and undesignated.

Debt Service Fund - Of the \$1.03 Debt Service Fund balance at June 30, 2018, \$1.03 is unreserved and undesignated.

18. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$976,526.35 in the General Fund and \$34,745.50 in the Special Revenue Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event that a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to the timing difference of recording the June state aid payment(s), the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of \$1,011,271.85 is less than the last state aid payment.

19. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There was no excess fund balance as of June 30, 2018.

20. SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

21. CONTINGENT LIABILITIES

A. Litigation

The Board Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Board's insurance carrier or would have a material financial impact on the Board.

B. Federal and State Awards

The School District participates in several federal and state grant and aid programs which are governed by various rules and regulations of the grantor agencies, therefore, to the extent that the School District has not complied with the rules and regulations governing the grants or aid, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying general purpose financial statements for such contingencies.

22. 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 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 a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

23. SUBSEQUENT EVENT

The Kearny School District authorized the issuance of \$6,721,000 in Grant Anticipation Notes for the purpose of financing the district's aircraft noise abatement projects. The notes are dated October 5, 2018 and mature on July 10, 2019 and have an interest rate of 2.75%. No items were determined to require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

C. BUDGETARY COMPARISON SCHEDULES

**KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

C-1
Sheet #1

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Revenues					
Local Sources:					
Local Tax Levy	\$ 51,694,713.00	\$	\$ 51,694,713.00	\$ 51,694,717.00	\$ 4.00
Tuition from Summer School	2,000.00		2,000.00	37,705.00	35,705.00
Rents and Royalties	20,000.00		20,000.00	173,771.50	153,771.50
Adult Education Assessment Testing Center Fees		52,924.74	52,924.74		(52,924.74)
Interest on Capital Reserve		50.00	50.00	50.00	
Fines and Forfeits	50,000.00	(50,000.00)			
Unrestricted Miscellaneous Revenues	250,000.00		250,000.00	188,397.49	(61,602.51)
Other Restricted Miscellaneous Revenues	350,000.00	50,050.00	400,050.00	662,983.67	262,933.67
Total - Local Sources	<u>52,366,713.00</u>	<u>53,024.74</u>	<u>52,419,737.74</u>	<u>52,757,624.66</u>	<u>337,886.92</u>
State Sources:					
Equalization	26,205,446.00	2,190,909.00	28,396,355.00	28,396,355.00	
Categorical Security	408,316.00		408,316.00	408,316.00	
Under Adequacy Aid	500,000.00		500,000.00	500,000.00	
Categorical Special Educational Aid	3,583,423.00		3,583,423.00	3,583,423.00	
Extraordinary Aid	250,000.00		250,000.00	410,735.00	160,735.00
Categorical Transportation Aid	57,192.00		57,192.00	57,192.00	
PARCC Readiness Aid	58,140.00		58,140.00	58,140.00	
Per Pupil Growth	58,140.00		58,140.00	58,140.00	
Professional Learning Community Aid	58,330.00		58,330.00	58,330.00	
Nonbudgeted:					
On-Behalf Contributions:					
TPAF - Pension Contribution				5,883,050.00	5,883,050.00
TPAF - Long-Term Disability Contribution				7,888.00	7,888.00
TPAF - Post-Retirement Medical Contribution				3,670,561.00	3,670,561.00
Reimbursed TPAF Social Security Contributions				2,468,392.96	2,468,392.96
Total - State Sources	<u>31,178,987.00</u>	<u>2,190,909.00</u>	<u>33,369,896.00</u>	<u>45,360,522.96</u>	<u>11,990,626.96</u>
Federal Sources:					
Medicare Reimbursement	139,820.00		139,820.00	130,477.71	(9,342.29)
Total - Federal Sources	<u>139,820.00</u>		<u>139,820.00</u>	<u>130,477.71</u>	<u>(9,342.29)</u>
Total Revenues	<u>\$ 83,685,520.00</u>	<u>\$ 2,243,933.74</u>	<u>\$ 85,929,453.74</u>	<u>\$ 98,248,625.33</u>	<u>\$ 12,319,171.59</u>
Expenditures					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool/Kindergarten	\$ 1,460,593.00	\$ (46,297.24)	\$ 1,414,295.76	\$ 1,414,295.76	\$
Grades 1 - 5	8,846,325.00	35,232.87	8,881,557.87	8,881,557.87	
Grades 6 - 8	5,917,795.00	(347,282.23)	5,570,512.77	5,570,512.77	
Grades 9 - 12	7,659,658.00	79,716.46	7,739,374.46	7,719,114.05	20,260.41
Home Instruction:					
Salaries of Teachers	888,685.00	62,697.47	951,382.47	951,382.47	
Purchased Professional - Educational Services	1,398,775.00	284,415.72	1,683,190.72	1,683,190.72	
Purchased Professional - Technical Services	22,752.00	872.41	23,624.41	23,624.41	

KEARNY BOARD OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	\$ 472.00	\$ (472.00)	\$ -	\$ (11,171.55)	\$ 11,171.55
Purchased Professional - Educational Services	338,233.00	7,565.16	345,798.16	345,798.16	
Other Purchased Services - Travel	274,208.00	8,054.91	282,262.91	278,252.89	4,010.02
General Supplies	662,459.00	210,982.53	873,441.53	843,045.48	30,396.05
Textbooks	450,957.00	232,496.38	683,453.38	681,305.22	2,148.16
Other Objects - Miscellaneous	95,039.00	(52,088.11)	42,950.89	42,950.36	0.53
	<u>28,015,951.00</u>	<u>475,894.33</u>	<u>28,491,845.33</u>	<u>28,423,858.61</u>	<u>67,986.72</u>
Total Regular Programs					
Special Education:					
Autism:					
Salaries of Teachers	1,174,911.00	(100,732.92)	1,074,178.08	1,074,178.08	
General Supplies	4,285.00	(3,942.90)	342.10	342.10	
Total Autism	<u>1,179,196.00</u>	<u>(104,675.82)</u>	<u>1,074,520.18</u>	<u>1,074,520.18</u>	
Behavioral Disabilities:					
Salaries of Teachers	68,547.00	(1,222.00)	67,325.00	67,325.00	
Total Behavioral Disabilities	<u>68,547.00</u>	<u>(1,222.00)</u>	<u>67,325.00</u>	<u>67,325.00</u>	

KEARNY BOARD OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 3,787,629.00	\$ (28,011.76)	\$ 3,759,617.24	\$ 3,759,617.24	\$
Total Resource Room/Resource Center	<u>3,787,629.00</u>	<u>(28,011.76)</u>	<u>3,759,617.24</u>	<u>3,759,617.24</u>	
Preschool Disabilities Part-Time:					
Salaries of Teachers	236,459.00	(80,939.00)	155,520.00	155,520.00	
Total Preschool Disabilities Part-Time	<u>236,459.00</u>	<u>(80,939.00)</u>	<u>155,520.00</u>	<u>155,520.00</u>	
Total Special Education	<u>5,271,831.00</u>	<u>(214,848.58)</u>	<u>5,056,982.42</u>	<u>5,056,982.42</u>	
Basic Skills/Remedial:					
Salaries of Teachers	454,695.00	59,984.88	514,679.88	514,679.88	
General Supplies	8,816.00	(6,901.18)	1,914.82	1,914.82	
Textbooks	1,037.00	(1,028.60)	8.40	8.40	
Total Basic Skills/Remedial	<u>464,548.00</u>	<u>52,055.10</u>	<u>516,603.10</u>	<u>516,603.10</u>	

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #4

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Bilingual Education:					
Salaries of Teachers	\$ 1,455,189.00	\$ 108,832.46	\$ 1,564,021.46	\$ 1,564,021.46	\$
Purchased Professional - Educational Services		9,021.65	9,021.65	9,021.65	
General Supplies	8,271.00	(8,271.00)			
Textbooks	3,789.00	5,657.05	9,446.05	9,446.05	
Total Bilingual Education	<u>1,467,249.00</u>	<u>115,240.16</u>	<u>1,582,489.16</u>	<u>1,582,489.16</u>	
School-Sponsored Cocurricular Activities:					
Salaries	179,800.00	(65,927.64)	113,872.36	102,395.11	11,477.25
Purchased Services	13,608.00	6,590.95	20,198.95	19,367.60	831.35
Total School-Sponsored Cocurricular Activities	<u>193,408.00</u>	<u>(59,336.69)</u>	<u>134,071.31</u>	<u>121,762.71</u>	<u>12,308.60</u>
School-Sponsored Athletics:					
Salaries	498,724.00	(58,782.31)	439,941.69	439,941.69	
Purchased Services	241,487.00	44,181.11	285,668.11	231,446.11	54,222.00
Supplies and Materials	72,675.00	(9,886.47)	62,788.53	62,707.68	80.85
Other Objects	140,997.00	(29,918.68)	111,078.32	111,078.32	
Total School-Sponsored Athletics	<u>953,883.00</u>	<u>(54,406.35)</u>	<u>899,476.65</u>	<u>845,173.80</u>	<u>54,302.85</u>
Vocational Programs - Local - Instruction:					
Salaries of Teachers	273,139.00	(18,814.12)	254,324.88	254,324.88	
General Supplies	52,000.00	(12,822.28)	39,177.72	26,286.46	12,891.26
Total Instructional Alternative Education Program - Instruction	<u>325,139.00</u>	<u>(31,636.40)</u>	<u>293,502.60</u>	<u>280,611.34</u>	<u>12,891.26</u>
Total - Instruction	<u>36,692,009.00</u>	<u>282,981.57</u>	<u>36,974,970.57</u>	<u>36,827,481.14</u>	<u>147,489.43</u>
Community Service Programs - Operations:					
Other Objects		52,924.74	52,924.74	729.90	52,194.84
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA's Within the State - Special	148,484.00	34,788.55	183,272.55	182,402.55	870.00

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #5

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Disabled W/ State	\$ 3,772,459.00	\$ 280,851.91	\$ 4,053,110.91	\$ 3,983,883.47	\$ 69,227.44
Tuition - State Facilities	4,500.00		4,500.00	4,500.00	
Total Instruction	<u>3,925,443.00</u>	<u>315,440.46</u>	<u>4,240,883.46</u>	<u>4,170,786.02</u>	<u>70,097.44</u>
Attendance and Social Work Services:					
Salaries	<u>18,942.00</u>		<u>18,942.00</u>	<u>18,897.00</u>	<u>45.00</u>
Health Services:					
Salaries	713,063.00	(61,564.65)	651,498.35	651,498.35	
Other Purchased Services	93,844.00	(11,570.50)	82,273.50	82,273.50	
Supplies and Materials	11,020.00	(3,462.95)	7,557.05	7,557.05	
Total Health Services	<u>817,927.00</u>	<u>(76,598.10)</u>	<u>741,328.90</u>	<u>741,328.90</u>	
Speech, OT, PT and Related Services:					
Purchased Professional - Educational Services	<u>585,860.00</u>	<u>(28,694.90)</u>	<u>557,165.10</u>	<u>557,165.10</u>	
Total Other Support Services Students - Related Services	<u>585,860.00</u>	<u>(28,694.90)</u>	<u>557,165.10</u>	<u>557,165.10</u>	
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	1,215,705.00	(50,937.24)	1,164,767.76	1,164,767.76	
Salaries of Secretarial and Clerical Assistants	118,703.00	(2,895.12)	115,807.88	115,807.88	
Purchased Professional - Educational Services	6,334.00	(89.00)	6,245.00	6,245.00	
Supplies and Materials	284.00	(29.00)	255.00	255.00	
Other Objects	1,050.00	(908.85)	141.15	141.15	
Total Other Support Services - Students - Guidance	<u>1,342,076.00</u>	<u>(54,859.21)</u>	<u>1,287,216.79</u>	<u>1,287,216.79</u>	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	1,488,392.00	(137,513.89)	1,350,878.11	1,350,878.11	
Salaries of Secretarial and Clerical Assistants	121,655.00	(29,522.09)	92,132.91	92,132.91	
Miscellaneous Purchased Services	1,150.00	5,329.20	6,479.20	6,479.20	
Supplies and Materials	32,362.00	(16,815.65)	15,546.35	15,546.35	
Total Other Support Services - Students - Child Study Teams	<u>1,643,559.00</u>	<u>(178,522.43)</u>	<u>1,465,036.57</u>	<u>1,465,036.57</u>	

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #6

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Secretarial and Clerical Assistants	\$ 23,501.00	\$ 10,979.30	\$ 34,480.30	\$ 34,480.30	\$
Salaries of Facilitators, Math, Literacy Coaches	32,093.00	181,287.00	213,380.00	213,380.00	
Total Improvement of Instructional Services	<u>55,594.00</u>	<u>192,266.30</u>	<u>247,860.30</u>	<u>247,860.30</u>	
Educational Media Services/School Library:					
Salaries	373,434.00	(15,763.24)	357,670.76	357,670.76	
Supplies and Materials	22,273.00	(1,335.43)	20,937.57	20,903.61	33.96
Total Educational Media Services/School Library	<u>395,707.00</u>	<u>(17,098.67)</u>	<u>378,608.33</u>	<u>378,574.37</u>	<u>33.96</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	60,000.00	(22,646.06)	37,353.94	37,278.94	75.00
Supplies and Materials	5,000.00	3,603.45	8,603.45	8,603.45	
Other Objects	7,000.00	(180.00)	6,820.00	6,820.00	
Total Instructional Staff Training Services	<u>72,000.00</u>	<u>(19,222.61)</u>	<u>52,777.39</u>	<u>52,702.39</u>	<u>75.00</u>
Support Services General Administration:					
Salaries	1,062,859.00	(66,435.64)	996,423.36	943,033.70	53,389.66
Legal Services	150,000.00	(64,000.00)	86,000.00	50,661.85	35,318.15
Accountants/Audit Fees	54,344.00		54,344.00	45,236.25	9,107.75
Architectural/Engineering Service	55,802.00	(16,950.73)	38,851.27	38,851.27	
Other Purchased Professional Services	58,179.00	(406.00)	57,773.00	57,547.62	225.38
Purchased Tech Services	88,452.00	26,515.87	114,967.87	107,270.14	7,697.73
Communications/Telephone	103,904.00	(594.00)	103,310.00	82,445.55	20,864.45
Other Purchased Services	112,712.00	1,000.00	113,712.00	113,672.00	40.00
Miscellaneous Expenditures	66,728.00	1,645.00	68,373.00	54,071.72	14,301.28
General Supplies	10,385.00		10,385.00	9,287.59	1,097.41
BOE In-House Training/Meeting Supplies	1,097.00		1,097.00	899.71	197.29
Judgments	100,000.00	(70,000.00)	30,000.00	2,750.00	27,250.00
BOE Membership Fees and Dues	27,793.00		27,793.00	26,662.70	1,130.30
Total Support Services General Administration	<u>1,892,255.00</u>	<u>(189,225.50)</u>	<u>1,703,029.50</u>	<u>1,532,410.10</u>	<u>170,619.40</u>

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #7

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Support Services School Administration:					
Salaries of Principals/Assistant Principals	\$ 3,688,230.00	\$ (151,189.95)	\$ 3,537,040.05	\$ 3,537,040.05	\$
Salaries of Secretarial and Clerical Assistants	1,057,062.00	39,024.44	1,096,086.44	1,094,982.46	1,103.98
Other Purchased Services	39,750.00	(23,073.96)	16,676.04	16,676.04	
Supplies and Materials	219,946.00	(82,498.28)	137,447.72	136,879.62	568.10
Other Objects	41,274.00	(13,748.14)	27,525.86	27,515.86	10.00
Total Support Services School Administration	<u>5,046,262.00</u>	<u>(231,485.89)</u>	<u>4,814,776.11</u>	<u>4,813,094.03</u>	<u>1,682.08</u>
Central Services:					
Salaries	657,968.00	(143,761.79)	514,206.21	514,206.21	
Purchased Professional Services	43,950.00	49.68	43,999.68	43,901.68	98.00
Purchased Technical Services	5,322.00	(2,710.75)	2,611.25	2,611.25	
Supplies and Materials	16,385.00	(7,292.85)	9,092.15	9,092.15	
Interest on Current Loans	299,167.00	832.98	299,999.98	299,999.98	
Other Objects	3,575.00	37,786.49	41,361.49	41,361.49	
Total Central Services	<u>1,026,367.00</u>	<u>(115,096.24)</u>	<u>911,270.76</u>	<u>911,172.76</u>	<u>98.00</u>
Administrative Information Technology:					
Salaries	512,688.00	38,764.62	551,472.62	551,472.62	
Purchased Professional Services	2,979.00	(2,758.50)	220.50	220.50	
Other Objects	1,050.00	129.92	1,179.92	1,179.92	
Total Administrative Information Technology	<u>516,717.00</u>	<u>36,156.04</u>	<u>552,873.04</u>	<u>552,873.04</u>	
Required Maintenance for School Facilities:					
Salaries	1,384,234.00	21,146.19	1,405,380.19	1,405,380.19	
Cleaning, Repair and Maintenance Services	647,837.00	36,476.64	684,313.64	658,093.93	26,219.71
General Supplies	160,000.00	91,064.23	251,064.23	243,003.81	8,060.42
Total Required Maintenance for School Facilities	<u>2,192,071.00</u>	<u>148,687.06</u>	<u>2,340,758.06</u>	<u>2,306,477.93</u>	<u>34,280.13</u>
Custodial Services:					
Salaries	2,854,864.00	23,370.29	2,878,234.29	2,878,234.29	
Other Purchased Property Services	56,779.00	19,860.88	76,639.88	76,639.88	
Insurance	341,406.00		341,406.00	341,406.00	
Other Objects	26,647.00	(3,514.81)	23,132.19	22,957.19	175.00
General Supplies	143,783.00	159,021.92	302,804.92	302,539.92	265.00
Energy (Electricity)	801,640.00	(190,087.80)	611,552.40	611,552.40	
Energy (Natural Gas)	448,550.00	(36,949.04)	411,600.96	411,600.96	
Total Custodial Services	<u>4,673,669.00</u>	<u>(28,298.36)</u>	<u>4,645,370.64</u>	<u>4,644,930.64</u>	<u>440.00</u>

KEARNY BOARD OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 146,217.00	\$ 3,821.41	\$ 150,038.41	\$ 150,038.41	\$
Total Care and Upkeep of Grounds	<u>146,217.00</u>	<u>3,821.41</u>	<u>150,038.41</u>	<u>150,038.41</u>	
Security:					
Salaries	270,962.00	(34,489.18)	236,472.82	236,472.82	
Total Security	<u>270,962.00</u>	<u>(34,489.18)</u>	<u>236,472.82</u>	<u>236,472.82</u>	
Total Operation and Maintenance of Plant Services	<u>7,282,919.00</u>	<u>89,720.93</u>	<u>7,372,639.93</u>	<u>7,337,919.80</u>	<u>34,720.13</u>
Student Transportation Services:					
Special Education	510,212.00	(100,987.00)	409,225.00	409,225.00	
Salaries for Pupil Transportation (Other Than Between Home and School)	61,097.00	(26,242.00)	34,855.00	34,855.00	
Cleaning, Repair and Maintenance Services	73,267.00	(1,534.07)	71,732.93	71,732.93	
Contracted Services (Between Home and School) - Vendors	962,284.00	(18,791.64)	943,492.36	913,543.50	29,948.86
Contracted Services (Other Than Between Home and School) - Vendors	6,230.00	(6,062.00)	168.00	168.00	
Miscellaneous Purchased Services - Transportation	4,598.00	(758.84)	3,839.16	3,839.16	
Transportation Supplies	1,704.00	153.76	1,857.76	1,857.76	
Total Student Transportation Services	<u>1,619,392.00</u>	<u>(154,221.79)</u>	<u>1,465,170.21</u>	<u>1,435,221.35</u>	<u>29,948.86</u>

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #9

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Current Expense:					
Undistributed Expenditures:					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	\$ 1,350,000.00	\$ (46,510.96)	\$ 1,303,489.04	\$ 1,301,910.04	\$ 1,579.00
Group Insurance	20,000.00	(4,573.08)	15,426.92	15,426.92	
Other Retirement Contributions - PERS	1,103,000.00	(42,704.18)	1,060,295.82	1,051,038.52	9,257.30
Other Retirement Contributions - Regular	162,381.00	1,062,619.00	1,225,000.00		1,225,000.00
Workers' Compensation	644,523.00	(7,058.00)	637,465.00	637,465.00	
Health Benefits	10,443,460.00	993,301.06	11,436,761.06	11,327,632.30	109,128.76
Tuition Reimbursement	51,000.00	(18,829.70)	32,170.30	32,170.30	
Unused Sick Pay to Term/Ret Staff - Mass	296,240.00	(115,221.85)	181,018.15		181,018.15
Unused Vacation Pay to Term/Ret Staff - Mass	4,838.00	(4,838.00)			
Unused Sick Payment to Term/Ret Staff	1,239,732.00	(1,007.00)	1,238,725.00	1,238,725.00	
Total Unallocated Benefits - Employee Benefits	<u>15,315,174.00</u>	<u>1,815,177.29</u>	<u>17,130,351.29</u>	<u>15,604,368.08</u>	<u>1,525,983.21</u>
On-Behalf Contributions:					
Pension Contribution				5,683,050.00	(5,683,050.00)
Long-Term Disability Contribution				7,888.00	(7,888.00)
Post-Retirement Medical Contribution				3,670,561.00	(3,670,561.00)
Reimbursed TPAF Social Security Contributions				2,468,392.96	(2,468,392.96)
				<u>11,829,891.96</u>	<u>(11,829,891.96)</u>
Total Undistributed Expenditures	<u>41,556,194.00</u>	<u>1,383,735.68</u>	<u>42,939,929.68</u>	<u>52,936,518.56</u>	<u>(9,996,588.88)</u>
Total Expenditures - Current Expense	<u>78,248,203.00</u>	<u>1,719,621.99</u>	<u>79,967,824.99</u>	<u>89,764,729.60</u>	<u>(9,796,904.61)</u>
Capital Outlay:					
Capital Reserve - Transfer to Capital Projects		2,000,000.00	2,000,000.00	2,000,000.00	
Equipment:					
Undistributed Expenditures:					
Instruction		650,068.97	650,068.97	582,471.77	67,597.20
Administrative Information Technology	205,672.00	99,722.65	305,394.65	305,394.37	0.28
Total Equipment	<u>205,672.00</u>	<u>749,791.62</u>	<u>955,463.62</u>	<u>887,866.14</u>	<u>67,597.48</u>

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
Sheet #10

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<u>Expenditures</u>					
Facilities Acquisition and Construction Services:					
Construction Services	\$	\$ 867,952.21	\$ 867,952.21	\$ 838,266.21	\$ 29,686.00
Lease Purchase Agreements - Principal	956,397.00	(104,051.46)	852,345.54	852,345.54	
Other Objects	194,876.00		194,876.00	194,876.00	
Construction Services		182,247.21	182,247.21		182,247.21
Total Facilities Acquisition and Construction Services	<u>1,151,273.00</u>	<u>946,147.96</u>	<u>2,097,420.96</u>	<u>1,885,487.75</u>	<u>211,933.21</u>
Assets Acquired Under Capital Leases (Nonbudgeted)					
Undistributed Expenditures:				707,117.16	
Assets Acquired Under Capital Leases (Nonbudgeted)				<u>707,117.16</u>	
Total Assets Acquired Under Capital Leases (Nonbudgeted)					
Total Capital Outlay	<u>1,356,945.00</u>	<u>3,695,939.58</u>	<u>5,052,884.58</u>	<u>5,480,471.05</u>	<u>279,530.69</u>
Special Schools:					
Adult Education - Local:					
Instruction:					
Salaries of Teachers	28,022.00		28,022.00	22,512.00	5,510.00
Purchased Professional and Technical Services	13,676.00		13,676.00	13,495.00	181.00
General Supplies	19,123.00		19,123.00	18,169.15	953.85
Total Adult Education - Local	<u>60,821.00</u>		<u>60,821.00</u>	<u>54,176.15</u>	<u>6,644.85</u>
Transfer of Funds to Charter Schools	<u>4,336,651.00</u>	<u>77,738.00</u>	<u>4,414,390.00</u>	<u>4,414,390.00</u>	
Total Expenditures	<u>84,002,620.00</u>	<u>5,493,300.57</u>	<u>89,495,920.57</u>	<u>99,713,766.80</u>	<u>(9,510,729.07)</u>
Other Financing Sources (Uses):					
Operating Transfer Out - Food Service	(223,767.00)	(113,766.61)	(337,533.61)	(337,533.61)	
Operating Transfer Out - General Fund to Capital Projects		(764,866.31)	(764,866.31)	(764,866.31)	
Capital Leases (Nonbudgeted)				707,117.16	
	<u>(223,767.00)</u>	<u>(878,632.92)</u>	<u>(1,102,399.92)</u>	<u>(395,282.76)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses	(540,867.00)	(4,127,999.75)	(4,668,866.75)	(1,860,424.23)	2,808,442.52
Fund Balances, July 1	<u>6,302,669.00</u>		<u>6,302,669.00</u>	<u>6,302,669.00</u>	
Fund Balances, June 30	<u>\$ 5,761,802.00</u>	<u>\$ (4,127,999.75)</u>	<u>\$ 1,633,802.25</u>	<u>\$ 4,442,244.77</u>	<u>\$ 2,808,442.52</u>

KEARNY BOARD OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1
 Sheet #11

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<u>Recapitulation of Fund Balance</u>					
Restricted Fund Balance:					
Reserve Excess Surplus Designated for Subsequent Years' Expenditures				\$ 19,104.00	
Capital Reserve				585,866.21	
Adult Education Program				53,876.08	
Committed Fund Balance:					
Year Ended Encumbrances				1,441,048.33	
Assigned Fund Balance:					
Designated for Subsequent Years' Expenditures				398,080.00	
Unassigned Fund Balance					
				<u>1,944,270.15</u>	
				4,442,244.77	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				2,920,796.50	
				<u>2,920,796.50</u>	
Fund Balance per Governmental Funds (GAAP)					
				<u>\$ 1,521,448.27</u>	

KEARNY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
<u>Revenues</u>					
State Sources	\$ 2,800,676.00	\$ 591,227.00	\$ 3,391,903.00	\$ 2,928,380.04	\$ 463,522.96
Federal Sources	1,663,366.00	(75,577.00)	1,587,789.00	1,322,876.44	264,912.56
Private Sources		37,838.15	37,838.15	17,231.10	20,607.05
	<u>4,464,042.00</u>	<u>553,488.15</u>	<u>5,017,530.15</u>	<u>4,268,487.58</u>	<u>749,042.57</u>
<u>Expenditures</u>					
Instruction:					
Salaries of Teachers	2,291,254.00	(563,472.92)	1,727,781.08	1,515,117.20	212,663.88
Salaries of Noninstructional Aides	186,739.00	(58,874.75)	127,864.25	19,262.16	108,602.09
Purchased Professional and Technical Services		25,564.00	25,564.00	14,275.11	11,288.89
Tuition	1,167,396.00	41,503.00	1,208,899.00	1,144,552.63	64,346.37
Supplies and Materials		1,828.00	1,828.00	1,563.75	264.25
General Supplies	267,109.00	(3,934.00)	263,175.00	195,443.63	67,731.37
Textbooks		7,012.00	7,012.00	7,012.00	
Total Instruction	<u>3,912,498.00</u>	<u>(550,374.67)</u>	<u>3,362,123.33</u>	<u>2,897,226.48</u>	<u>464,896.85</u>
Support Services:					
Salaries of Teachers		23,110.00	23,110.00	7,467.11	15,642.89
Salaries of Principals/Assistant Principals/Program Directors		64,007.00	64,007.00	64,007.00	
Salaries of Secretarial and Clerical Assistants		66,849.00	66,849.00	60,659.97	6,189.03
Salaries of Family/Parent Liaison and Community Parent Involvement Specialists		12,000.00	12,000.00	11,020.00	980.00
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers	110,244.00	6,200.00	116,444.00	109,873.00	6,571.00
Personnel Services - Employee Benefits	361,300.00	(198,167.00)	163,133.00	123,128.00	40,005.00
Group Insurance		256,037.00	256,037.00	256,037.00	
Social Security Contributions		88,065.00	88,065.00	83,781.00	4,284.00
TPAF Contributions - ERIP (Early Retirement Incentive Program)		165,297.00	165,297.00	165,297.00	
Purchased Professional and Technical Services		57,279.67	57,279.67	56,772.38	507.29
Purchased Professional - Educational Services		373,947.00	373,947.00	299,694.00	74,253.00
Purchased Educational Services - Contracted Pre-K	75,000.00	(12,000.00)	63,000.00	15,504.17	47,495.83
Other Professional Services		700.00	700.00	698.54	1.46
Other Purchased Services (400-500 Series)		24,249.16	24,249.16	12,004.30	12,244.86
Travel		6,090.00	6,090.00	2,639.00	3,451.00
Miscellaneous Purchased Services		12,190.00	12,190.00	12,190.00	
Supplies and Materials	5,000.00	20,358.15	25,358.15	16,168.56	9,189.59
General Supplies		105,862.00	105,862.00	44,621.23	61,240.77
Miscellaneous Expenditures		3,334.00	3,334.00	1,244.00	2,090.00
Total Support Services	<u>551,544.00</u>	<u>1,075,407.98</u>	<u>1,626,951.98</u>	<u>1,342,806.26</u>	<u>284,145.72</u>
Facilities Acquisition and Construction:					
Buildings		23,718.84	23,718.84	23,718.84	
Noninstructional Equipment		4,736.00	4,736.00	4,736.00	
Total Facilities Acquisition and Construction		<u>28,454.84</u>	<u>28,454.84</u>	<u>28,454.84</u>	
Total Expenditures	<u>4,464,042.00</u>	<u>553,488.15</u>	<u>5,017,530.15</u>	<u>4,268,487.58</u>	<u>749,042.57</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

Note: GASB 68 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

KEARNY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(Unaudited)

	Fiscal Year Ended June 30.			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.107146%	0.109430%	0.01085%	0.10900%
District's proportionate share of the net pension liability (asset)	\$ 24,941,945	\$ 32,410,578	\$ 24,354,535	\$ 20,406,935
State's proportionate share of the net pension liability (asset) associated with the District				
Total	<u>\$ 24,941,945</u>	<u>\$ 32,410,578</u>	<u>\$ 24,354,535</u>	<u>\$ 20,406,935</u>
District's covered-employee payroll	\$ 6,980,213	\$ 7,285,913	7,287,542	7,411,246
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	357.32%	444.84%	334.19%	275.35%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%

**KEARNY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(Unaudited)**

	Fiscal Year Ended June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 992,596	\$ 972,177	\$ 932,750	\$ 898,543
Contributions in relation to the contractually required contribution	<u>(992,596)</u>	<u>(972,177)</u>	<u>(932,750)</u>	<u>(898,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,980,213	\$ 7,285,912	\$ 7,287,542	\$ 7,411,246
Contributions as a percentage of covered-employee payroll	14.22%	13.34%	12.80%	12.12%

KEARNY BOARD OF EDUCATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 TEACHERS' PENSION AND ANNUITY FUND
 LAST FIVE FISCAL YEARS
 (Unaudited)

	For the Fiscal Year Ended June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
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>261,292,128</u>	<u>313,542,609</u>	<u>245,563,648</u>	<u>202,685,459</u>	<u>196,772,632</u>
Total	<u>\$ 261,292,128</u>	<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	\$ 35,231,757	\$ 39,310,251	\$ 39,284,711	\$ 39,625,977	\$ 38,007,372
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%

* Data was not provided by School District.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Benefit Terms and Changes of Assumptions

Refer to Note 7 on the Notes to Financial Statements for benefits and assumptions.

**M. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Note: GASB 75 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

KEARNY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
(Unaudited)

	Measurement Date	
	Fiscal Year Ending June 30,	
	<u>2017</u>	<u>2016</u>
Total OPEB Liability		
Service Cost	\$ 8,218,679	\$ 6,129,703
Interest Cost	6,034,516	6,483,990
Change in Benefit Term		
Difference Between Expected and Actual Experiences		
Change in Assumptions	(25,776,003)	30,618,351
Contributions: Members*	161,932	164,527
Gross Benefit Payments*	<u>(4,397,634)</u>	<u>(4,349,452)</u>
Net Change in Total OPEB Liability	\$ (15,758,510)	\$ 39,047,118
Total OPEB Liability (Beginning)	\$205,621,681	\$166,574,563
Total OPEB Liability (Ending)	\$189,863,171	\$205,621,681
Plan Fiduciary Net Position		
Plan Fiduciary Net Position (Ending)	\$	\$
Net OPEB Liability (Ending)	\$189,863,171	\$205,621,681
Net Position as a Percentage of OPEB Liability	0%	0%
Covered Employee Payroll	\$ 42,211,970	\$ 46,596,164
Net OPEB Liability as a Percentage of Payroll	450%	441%

*Data for Measurement Periods Ending June 30, 2016 and June 30, 2017 were provided by the State.

Notes to Schedule:

Benefit Changes: None

Changes in Assumptions: The increase in the liability from June 30, 2015 to June 30, 2016 is due to the decrease in the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Benefit Terms and Changes of Assumptions

Refer to Notes 8 and 9 on the Notes to Financial Statements for benefits and assumptions.

OTHER SUPPLEMENTARY INFORMATION

D. SCHOOL-BASED BUDGET SCHEDULES (IF APPLICABLE)

E. SPECIAL REVENUE FUND

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30 2018**

	Total Brought Forward E-1, Sheet #2	NCLB				Vocational Education	IDEA		Final Total
		Title I	Title II-A	Title III	Title III Immigrant		Basic	Preschool	
REVENUES									
Federal Sources	\$	\$ 1,286,152.09	\$ 168,924.00	\$ 87,628.37	\$ 41,374.80	\$ 63,212.84	\$ 1,256,865.74	\$ 24,222.20	\$ 2,928,360.04
State Sources	1,322,876.44								1,322,876.44
Local Sources	17,231.10								17,231.10
Total Revenues	\$ 1,340,107.54	\$ 1,286,152.09	\$ 168,924.00	\$ 87,628.37	\$ 41,374.80	\$ 63,212.84	\$ 1,256,865.74	\$ 24,222.20	\$ 4,268,467.58
EXPENDITURES									
Instruction:									
Salaries of Teachers	\$ 693,204.58	\$ 791,308.12	\$	\$ 30,604.50	\$	\$	\$	\$	\$ 1,515,117.20
Salaries of Noninstructional Aides	19,262.16								19,262.16
Purchased Professional and Technical Services	4,267.60	6,845.63				3,161.88			14,275.11
Tuition							1,136,632.63	7,920.00	1,144,552.63
Supplies and Materials				1,563.75					1,563.75
General Supplies	37,365.68	23,785.67		17,381.30	12,820.23	60,050.96	27,737.59	16,302.20	195,443.63
Textbooks	7,012.00								7,012.00
Total Instruction	761,112.02	821,939.42		49,549.55	12,820.23	63,212.84	1,164,370.22	24,222.20	2,897,226.48
Support Services:									
Salaries of Teachers	7,467.11								7,467.11
Salaries of Principals/Assistant Principals/Program Directors	64,007.00								64,007.00
Salaries of Secretarial and Clerical Assistance	60,659.97								60,659.97
Salaries of Family/Parent Liaison and Community Parent Involvement Specialists	11,020.00								11,020.00
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers	107,555.00	427.50		1,690.50					109,673.00
Personnel Services - Employee Benefits	123,128.00								123,128.00
Group Insurance	36,037.00	220,000.00							256,037.00
Social Security Contributions	11,761.00	72,000.00							83,761.00
TPAF Contributions - ERIP (Early Retirement Incentive Program)		165,297.00							165,297.00
Purchased Professional and Technical Services							56,772.38		56,772.38
Purchased Professional - Educational Services	88,120.00	4,200.00	168,924.00	26,450.00					289,694.00
Purchased Educational Services - Contracted Pre-K	15,504.17								15,504.17
Other Professional Services	698.54								698.54
Other Purchased Services (400-500 Series)							12,004.30		12,004.30
Travel	90.00			2,549.00					2,639.00
Miscellaneous Purchased Services	12,190.00								12,190.00
Supplies and Materials	13,738.83	1,360.77		1,069.16					16,168.56
General Supplies	11,169.10	777.40		4,120.16	28,554.57				44,621.23
Miscellaneous Expenditures	1,094.00	150.00							1,244.00
Total Support Services	574,259.52	464,212.67	168,924.00	36,078.82	28,554.57		68,776.68		1,342,806.26
Facilities Acquisition and Construction:									
Buildings							23,718.84		23,718.84
Instructional Equipment	4,736.00								4,736.00
Total Facilities Acquisition and Construction	4,736.00						23,718.84		28,454.84
Total Expenditures	\$ 1,340,107.54	\$ 1,286,152.09	\$ 168,924.00	\$ 87,628.37	\$ 41,374.80	\$ 63,212.84	\$ 1,256,865.74	\$ 24,222.20	\$ 4,268,467.58

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Total Brought Forward <u>E-1, Sheet #3</u>	Private Donations	SYBSPG	Nonpublic Nursing Services	Nonpublic Textbooks	Nonpublic Technology	Nonpublic Security	Sub-Total to Page 1
REVENUES								
Federal Sources	\$	\$	\$	\$	\$	\$	\$	\$
State Sources	1,023,011.82		275,396.51	1,995.11	7,012.00	4,736.00	10,725.00	1,322,876.44
Local Sources		17,231.10						17,231.10
Total Revenues	\$ 1,023,011.82	\$ 17,231.10	\$ 275,396.51	\$ 1,995.11	\$ 7,012.00	\$ 4,736.00	\$ 10,725.00	\$ 1,340,107.54
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 693,204.58	\$	\$	\$	\$	\$	\$	\$ 693,204.58
Salaries of Noninstructional Aides	19,262.16							19,262.16
Purchased Professional and Technical Services	4,267.60							4,267.60
Tuition								
Supplies and Materials								
General Supplies	36,775.68	580.00						37,355.68
Textbooks					7,012.00			7,012.00
Total Instruction	753,510.02	580.00			7,012.00			761,112.02
Support Services:								
Salaries of Teachers		5,472.00		1,995.11				7,467.11
Salaries of Principals/Assistant Principals/Program Directors			64,007.00					64,007.00
Salaries of Secretarial and Clerical Assistance			60,659.97					60,659.97
Salaries of Family/Parent Liaison and Community Parent Involvement Specialists	11,020.00							11,020.00
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers	107,555.00							107,555.00
Personnel Services - Employee Benefits	123,128.00							123,128.00
Group Insurance			36,037.00					36,037.00
Social Security Contributions	11,781.00							11,781.00
TPAF Contributions - ERIP (Early Retirement Incentive Program)								
Purchased Professional and Technical Services								
Purchased Professional - Educational Services			98,120.00					98,120.00
Purchased Educational Services - Contracted Pre-K	15,504.17							15,504.17
Other Professional Services			698.54					698.54
Other Purchased Services (400-500 Series)								
Travel			90.00					90.00
Miscellaneous Purchased Services			12,180.00					12,180.00
Supplies and Materials	513.63		2,500.00					3,013.63
General Supplies		11,169.10					10,725.00	11,169.10
Miscellaneous Expenditures			1,094.00					1,094.00
Total Support Services	269,501.80	16,641.10	275,396.51	1,995.11			10,725.00	574,259.52
Facilities Acquisition and Construction:								
Buildings								
Instructional Equipment						4,736.00		4,736.00
Total Facilities Acquisition and Construction						4,736.00		4,736.00
Total Expenditures	\$ 1,023,011.82	\$ 17,231.10	\$ 275,396.51	\$ 1,995.11	\$ 7,012.00	\$ 4,736.00	\$ 10,725.00	\$ 1,340,107.54

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Chapter 192/193 Services			Preschool Education Aid	Sub-Total to Page 1
	Compensatory Education	Supplemental Instruction	Corrective Speech		
REVENUES					
Federal Sources	\$	\$	\$	\$	\$
State Sources	886.00	2,220.40	1,161.20	1,018,744.22	1,023,011.82
Local Sources					
Total Revenues	<u>\$ 886.00</u>	<u>\$ 2,220.40</u>	<u>\$ 1,161.20</u>	<u>\$ 1,018,744.22</u>	<u>\$ 1,023,011.82</u>
EXPENDITURES					
Instruction:					
Salaries of Teachers	\$	\$	\$	\$ 693,204.58	\$ 693,204.58
Salaries of Noninstructional Aides				19,262.16	19,262.16
Purchased Professional and Technical Services	886.00	2,220.40	1,161.20		4,267.60
Tuition					
Supplies and Materials					
General Supplies				36,775.68	36,775.68
Textbooks					
Total Instruction	<u>886.00</u>	<u>2,220.40</u>	<u>1,161.20</u>	<u>749,242.42</u>	<u>753,510.02</u>
Support Services:					
Salaries of Teachers					
Salaries of Principals/Assistant Principals/Program Directors					
Salaries of Secretarial and Clerical Assistance					
Salaries of Family/Parent Liaison and Community Parent Involvement Specialists				11,020.00	11,020.00
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers				107,555.00	107,555.00
Personnel Services - Employee Benefits				123,128.00	123,128.00
Group Insurance					
Social Security Contributions				11,781.00	11,781.00
TPAF Contributions - ERIP (Early Retirement Incentive Program)					
Purchased Professional and Technical Services					
Purchased Professional - Educational Services					
Purchased Educational Services - Contracted Pre-K				15,504.17	15,504.17
Other Professional Services					
Other Purchased Services (400-500 Series)					
Travel					
Miscellaneous Purchased Services					
Supplies and Materials				513.63	513.63
General Supplies					
Miscellaneous Expenditures					
Total Support Services				<u>269,501.80</u>	<u>269,501.80</u>
Facilities Acquisition and Construction:					
Buildings					
Instructional Equipment					
Total Facilities Acquisition and Construction					
Total Expenditures	<u>\$ 886.00</u>	<u>\$ 2,220.40</u>	<u>\$ 1,161.20</u>	<u>\$ 1,018,744.22</u>	<u>\$ 1,023,011.82</u>

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, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
Instruction:					
Salaries of Teachers	\$ 843,102.00	\$ (149,897.42)	\$ 693,204.58	\$ 693,204.58	\$
Salaries of Noninstructional Aides	186,739.00	(58,874.75)	127,864.25	19,262.16	108,602.09
Supplies and Materials	81,981.00	(17,105.83)	64,875.17	36,775.68	28,099.49
Total Instruction	<u>1,111,822.00</u>	<u>(225,878.00)</u>	<u>885,944.00</u>	<u>749,242.42</u>	<u>136,701.58</u>
Support Services:					
Salaries of Family/Parent Liaison and Community Parent Involvement Specialists		12,000.00	12,000.00	11,020.00	980.00
Salaries of Facilitators, Math Coaches, Literacy Coaches and Master Teachers	110,244.00		110,244.00	107,555.00	2,689.00
Personnel Services - Employee Benefits	361,300.00	(182,102.00)	179,198.00	134,909.00	44,289.00
Purchased Professional and Technical Services	75,000.00	(12,000.00)	63,000.00	15,504.17	47,495.83
Supplies and Materials	5,000.00		5,000.00	513.63	4,486.37
Total Support Services	<u>551,544.00</u>	<u>(182,102.00)</u>	<u>369,442.00</u>	<u>269,501.80</u>	<u>99,940.20</u>
Total Expenditures	<u>\$ 1,663,366.00</u>	<u>\$ (407,980.00)</u>	<u>\$ 1,255,386.00</u>	<u>\$ 1,018,744.22</u>	<u>\$ 236,641.78</u>

Calculation of Budget Carryover

Total Revised 2017-2018 Preschool Education Aid Allocation	\$ 351,648.00
Add:	
Actual Preschool Education Carryover (June 30, 2017)	180,337.00
Actual Early Childhood Program Aid Carryover	723,401.00
Total Preschool Education Aid Funds Available for 2017-2018 Budget	<u>1,255,386.00</u>
Less: 2017-2018 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>1,255,386.00</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2018	
Add: June 30, 2017 Unexpected Preschool Education Aid	<u>236,641.78</u>
2017-2018 Carryover - Preschool Education Aid/Preschool Programs	<u>\$ 236,641.78</u>
2017-2018 Preschool Education Aid Carryover Budgeted in 2018 - 2019	<u>\$ -</u>

F. CAPITAL PROJECTS FUND

KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Project Title/Issue</u>	<u>Original Amount Authorized</u>	<u>Adjustments</u>	<u>Modified Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2018</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Aircraft Noise Abatement- Kearny High School	\$ 44,039,788.00	\$ 15,184,866.31	\$ 59,224,654.31	\$ 48,221,797.00	\$ 10,615,230.96	\$ 387,626.35
Kearny High School - Façade Project	6,083,708.00		6,083,708.00	5,970,247.00		113,461.00
Alterations to Franklin Elementary School	<u>636,750.00</u>	<u>(585,056.00)</u>	<u>51,694.00</u>	<u>47,860.00</u>		<u>3,834.00</u>
	<u>\$ 50,760,246.00</u>	<u>\$ 14,599,810.31</u>	<u>\$ 65,360,056.31</u>	<u>\$ 54,239,904.00</u>	<u>\$ 10,615,230.96</u>	<u>\$ 504,921.35</u>
Unexpected Project Authorization						\$ 504,921.35
Add: Reserve for Payment of Debt Service						<u>40,837.29</u>
Fund Balance (Budgetary Basis)						<u>\$ 545,758.64</u>
<u>Analysis of Restricted Fund Balance</u>						
Reserve for Debt Services						\$ 40,837.29
Reserve for Capital Projects						<u>504,922.35</u>
Fund Balance, Budgetary Basis						545,758.64
Unearned Revenue						<u>(66,554.00)</u>
Fund Balance, GAAP Basis						<u>\$ 479,204.64</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, 2018**

Revenues and Other Financing Sources:	
Transfers from Capital Reserve	\$ 2,000,000.00
Transferred from General Fund	764,866.31
Interest on Investments	<u>14,728.29</u>
Total Revenues	<u>2,779,594.60</u>
Expenditures and Other Financing Uses:	
Facilities Acquisition and Construction Services	10,606,130.96
Purchased Professional and Technical Services	<u>9,100.00</u>
Total Expenditures and Other Financing Uses	<u>10,615,230.96</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(7,835,636.36)
Fund Balance, July 1, 2017	<u>8,381,395.00</u>
Fund Balance, June 30, 2018	<u>\$ 545,758.64</u>
Reconciliation to Governmental Funds Statements (GAAP Basis)	
Fund Balance (Budgetary Basis)	\$ 545,758.64
Less: Unearned Revenue	<u>66,554.00</u>
Fund Balance Per Governmental Funds (GAAP Basis)	<u>\$ 479,204.64</u>

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, 2018

	<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	\$ 21,145,025.00	\$	\$ 21,145,025.00	\$ 21,145,025.00
Local Sources - Port Authority of NY/NJ	5,286,256.00		5,286,256.00	5,286,256.00
State Sources - SCC Grants	17,608,507.00		17,608,507.00	17,608,507.00
Capital Reserve	8,300,000.00	2,764,866.31	11,064,866.31	11,064,866.31
Lease Purchase Proceeds	4,120,000.00		4,120,000.00	4,120,000.00
	<u>56,459,788.00</u>	<u>2,764,866.31</u>	<u>59,224,654.31</u>	<u>59,224,654.31</u>
Expenditures and Other Financing Uses:				
Facilities Acquisition and Construction Services	39,496,309.00	10,615,230.96	50,111,539.96	50,474,654.31
Purchased Professional and Technical Services	8,725,488.00		8,725,488.00	8,750,000.00
	<u>48,221,797.00</u>	<u>10,615,230.96</u>	<u>58,837,027.96</u>	<u>59,224,654.31</u>
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures	<u>\$ 8,237,991.00</u>	<u>\$ (7,850,364.65)</u>	<u>\$ 387,626.35</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	\$ 44,039,788.00			
Additional Authorized Cost	\$ 15,184,866.31			
Revised Authorized Cost	\$ 59,224,654.31			
Percentage Increase Over Original				
Authorized Cost	34%			
Percentage Completion	99%			
Original Target Completion Date	October 31, 2013			
Revised Target Completion Date	December 31, 2018			

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, 2018

	<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	\$ 2,433,708.00	\$	\$ 2,433,708.00	\$ 2,433,708.00
Bond Proceeds and Transfers	<u>3,650,000</u>		<u>3,650,000.00</u>	<u>3,650,000.00</u>
Total Revenues	<u>6,083,708.00</u>		<u>6,083,708.00</u>	<u>6,083,708.00</u>
Expenditures and Other Financing Uses:				
Facilities Acquisition and Construction Services	4,400,254.00		4,400,254.00	4,549,947.00
Purchased Professional and Technical Services	<u>1,569,993.00</u>		<u>1,569,993.00</u>	<u>1,533,761.00</u>
Total Expenditures	<u>5,970,247.00</u>		<u>5,970,247.00</u>	<u>6,083,708.00</u>
Excess Revenues Over Expenditures	<u>\$ 113,461.00</u>	<u>\$ -</u>	<u>\$ 113,461.00</u>	<u>\$ -</u>

Additional Project Information:

Project Number	2410-050-05-1400
FAA/Port Authority	
SDA	
Grant Date	October 22, 2004
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 6,083,708.00
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 6,083,708.00
Percentage Increase Over Original	
Authorized Cost	0%
Percentage Completion	100%
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
 ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
 FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenues and Other Financing Sources:				
State Sources - SDA Grant	\$ 47,250.00	\$	\$ 47,250.00	\$ 47,250.00
Transfer from Capital Outlay	<u>4,444.00</u>		<u>4,444.00</u>	<u>4,444.00</u>
 Total Revenues	 <u>51,694.00</u>		 <u>51,694.00</u>	 <u>51,694.00</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	26,360.00		26,360.00	27,287.00
Supplies and Materials	<u>21,500.00</u>		<u>21,500.00</u>	<u>24,407.00</u>
 Total Expenditures	 <u>47,860.00</u>		 <u>47,860.00</u>	 <u>51,694.00</u>
 Excess Revenues Over Expenditures	 <u>\$ 3,834.00</u>	 <u>\$ -</u>	 <u>\$ 3,834.00</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	2410-079-09-2001
FAA/Port Authority	
SDA	
Grant Date	July 31, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 636,750.00
Additional Authorized Cost	\$ (585,056.00)
Revised Authorized Cost	\$ 51,694.00

Percentage Increase Over Original

Authorized Cost	-92%
Percentage Completion	100%
Original Target Completion Date	September 30, 2011
Revised Target Completion Date	August 31, 2014

G. PROPRIETARY FUNDS

ENTERPRISE FUND

KEARNY BOARD OF EDUCATION
 COMBINING SCHEDULE OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

	Business-Type Activities Enterprise Fund Food Service
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 542,161.37
Accounts Receivable:	
Federal Sources	94,622.13
Inventories:	
Food	8,950.60
Total Current Assets	<u>645,734.10</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	462,300.00
Less Accumulated Depreciation	<u>(154,103.35)</u>
Total Noncurrent Assets	<u>308,196.65</u>
Total Assets	<u>\$ 953,930.75</u>
 <u>LIABILITIES</u>	
Accounts Payable	<u>\$ 124,189.31</u>
Total Liabilities	<u>\$ 124,189.31</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Commodities Revenue	<u>\$ 6,902.07</u>
Total Deferred Inflows of Resources	<u>6,902.07</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 131,091.38</u>
 <u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	<u>\$ 308,196.65</u>
Unrestricted	<u>514,642.72</u>
Total Net Position	<u>\$ 822,839.37</u>

**KEARNY BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities Enterprise Fund <u>Food Service</u>
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 292,009.25
Daily Sales - Non-Reimbursable Programs	175,449.75
Other	2,480.10
Total Operating Revenues	<u>469,939.10</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	672,928.60
Cost of Sales - Non-Reimbursable Programs	82,559.00
Personnel Costs	1,049,090.19
General Supplies	52,851.51
Other Purchased Professional Services	4,407.32
Management Fee	71,408.48
Other Expenses	63,700.15
Depreciation	29,020.06
Total Operating Expenses	<u>2,025,965.31</u>
Operating Loss	<u>(1,556,026.21)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
School Lunch Program	20,111.19
Federal Sources:	
School Breakfast Program	198,575.71
School Lunch Program	1,008,296.48
Performanced Based Lunch	141,613.07
Food Distribution Program	(145,067.40)
Total Nonoperating Revenues (Expenses)	<u>1,223,529.05</u>
Gain (Loss) before Contributions and Transfers	(332,497.16)
Transfer In	<u>337,533.61</u>
Change in Net Position	5,036.45
Total Net Position - Beginning	<u>817,802.92</u>
Total Net Position - Ending	<u>\$ 822,839.37</u>

**KEARNY BOARD OF EDUCATION
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Business-Type Activities Enterprise Fund Food Service</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 469,939.08
Personnel Cost	(1,049,090.19)
Payments to Vendor	(861,587.47)
Net Cash Provided by (Used for) Operating Activities	<u>(1,440,738.58)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
State Sources	21,531.57
Federal Sources	1,196,907.47
Other Subsidies and Transfers	337,533.61
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,555,972.65</u>
<u>Cash Flows from Investing Activities</u>	
Capital Assets Acquired	<u>(31,600.00)</u>
Net Decrease in Cash	83,634.07
Balance - Beginning of Year	<u>458,527.30</u>
Balance - End of Year	<u>\$ 542,161.37</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Loss	<u>\$ (1,556,026.21)</u>
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:	
Depreciation	29,020.06
Change in Assets and Liabilities:	
(Increase)/Decrease in Inventory	2,526.46
Increase/(Decrease) in Other Accounts Payable	83,741.11
Total Adjustments	<u>115,287.63</u>
Net Cash Used by Operating Activities	<u>\$ (1,440,738.58)</u>

INTERNAL SERVICE FUND

H. FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

	<u>Scholarship Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 595,011.08	\$ 966,157.54	\$ 1,065,587.98
Investments	207,542.19		
Interfunds Receivable		1,121.00	
	<u>802,553.27</u>	<u>967,278.54</u>	<u>1,065,587.98</u>
Total Assets	<u>\$ 802,553.27</u>	<u>\$ 967,278.54</u>	<u>\$ 1,065,587.98</u>
LIABILITIES			
Payroll Deductions and Withholdings	\$ -	\$ -	\$ 673,356.94
Interfunds Payable			1,121.00
Accounts Payable		505.42	
Intergovernmental Accounts Payable		51,822.26	
Due to Student Groups			391,110.04
	<u>\$ -</u>	<u>\$ 52,327.68</u>	<u>\$ 1,065,587.98</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 52,327.68</u>	<u>\$ 1,065,587.98</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 802,553.27</u>	<u>\$ 914,950.79</u>	

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Plan Members	\$ 135,756.00
Investment Earnings:	
Interest	<u>1,074.38</u>
Total Additions	<u>136,830.38</u>
Reductions:	
Payments to Department of Labor	92,919.08
Payments to Vendor	<u>7,076.86</u>
Total Reductions	<u>99,995.94</u>
Change in Net Position	36,834.44
Total Net Position - Beginning	<u>878,116.35</u>
Total Net Position - Ending	<u><u>\$ 914,950.79</u></u>

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>School</u>	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
ELEMENTARY SCHOOLS				
Schuyler School	\$ 14,698.19	\$ 12,200.73	\$ 9,840.95	\$ 17,057.97
Franklin School	2,855.46	65,339.09	58,834.46	9,360.09
Garfield School	4,771.00	20,622.32	24,797.89	595.43
Lincoln School	4,623.61	15,554.35	15,997.46	4,180.50
Lincoln Student Council	2,966.28	3,044.15	2,924.33	3,086.10
Roosevelt School	7,544.25	32,377.49	31,554.57	8,367.17
Washington School	6,817.00	9,588.27	14,844.46	1,560.81
HIGH SCHOOL	299,950.00	470,681.95	425,169.24	345,462.71
ATHLETIC ACCOUNT	4,829.00	64,990.30	68,380.04	1,439.26
Total	<u>\$ 349,054.79</u>	<u>\$ 694,398.65</u>	<u>\$ 652,343.40</u>	<u>\$ 391,110.04</u>

KEARNY BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ASSETS	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Cash and Cash Equivalents	\$ 460,576.18	\$ 62,295,918.37	\$ 62,081,744.06	\$ 674,750.49
Total Assets	<u>\$ 460,576.18</u>	<u>\$ 62,295,918.37</u>	<u>\$ 62,081,744.06</u>	<u>\$ 674,750.49</u>
 LIABILITIES				
Payroll Deductions and Withholdings	\$ 460,576.18	\$ 31,863,236.08	\$ 31,650,182.77	\$ 673,629.49
Due to Other Funds:		1,121.00		1,121.00
Accrued Salaries and Wages		<u>30,431,561.29</u>	<u>30,431,561.29</u>	
Total Liabilities	<u>\$ 460,576.18</u>	<u>\$ 62,295,918.37</u>	<u>\$ 62,081,744.06</u>	<u>\$ 674,750.49</u>

I. LONG-TERM DEBT

**KEARNY SCHOOL DISTRICT
SCHEDULE OF SERIAL BONDS
LONG-TERM DEBT
JUNE 30, 2018**

I-1

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Retired/Refunded</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	7/15/2007	\$ 12,725,000.00	7/15/2017	\$ 950,000.00	4.25%	\$ 950,000.00	\$ 950,000.00	\$
Refunding Bonds	4/23/2015	6,740,000.00	7/15/2018	1,135,000.00	4.000%			
			7/15/2019	1,135,000.00	4.000%			
			7/15/2020	1,140,000.00	4.000%			
			7/15/2021	1,140,000.00	4.000%			
			7/15/2022	1,140,000.00	4.000%			
			7/15/2023	205,000.00	4.000%			
			7/15/2024	210,000.00	4.000%			
	7/15/2025	215,000.00	4.000%					
						<u>6,500,000.00</u>	<u>180,000.00</u>	<u>6,320,000.00</u>
						<u>\$ 7,450,000.00</u>	<u>\$ 1,130,000.00</u>	<u>\$ 6,320,000.00</u>

KEARNY SCHOOL DISTRICT
 SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
 LONG-TERM DEBT
 JUNE 30, 2018

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amount Outstanding June 30, 2018</u>
2014 Acquisition of Computers	10.00%	\$ 394,437.00	\$ 180,585.00	\$	\$ 78,176.00	\$ 102,409.00
2015 Acquisition of Equipment		4,120,000.00	3,286,071.00		852,345.54	2,433,725.46
2017 Acquisition of Equipment	5.65%	304,864.75	187,239.00	16,005.18	101,620.57	101,623.61
2018 Acquisition of Equipment	4.41%	691,111.98		691,111.98	31,062.82	660,049.16
			<u>\$3,653,895.00</u>	<u>\$707,117.16</u>	<u>\$ 1,063,204.93</u>	<u>\$ 3,297,807.23</u>

**KEARNY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I-3

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues					
Local Sources:					
Local Tax Levy	\$ 1,011,767.00	\$	\$ 1,011,767.00	\$ 1,011,767.00	\$
State Sources:					
Debt Service Aid Type II	<u>393,921.00</u>		<u>393,921.00</u>	<u>393,921.00</u>	
Total Revenues	<u>1,405,688.00</u>		<u>1,405,688.00</u>	<u>1,405,688.00</u>	
Expenditures					
Regular Debt Service:					
Redemption of Principal	1,130,000.00		1,130,000.00	1,130,000.00	
Interest	<u>275,688.00</u>		<u>275,688.00</u>	<u>275,687.50</u>	<u>0.50</u>
	<u>1,405,688.00</u>		<u>1,405,688.00</u>	<u>1,405,687.50</u>	<u>0.50</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				0.50	0.50
Fund Balance, July 1	<u>0.53</u>		<u>0.53</u>	<u>0.53</u>	
Fund Balance, June 30	<u>\$ 0.53</u>	<u>\$ -</u>	<u>\$ 0.53</u>	<u>\$ 1.03</u>	<u>\$ 0.50</u>

STATISTICAL SECTION (UNAUDITED)

INTRODUCTION TO THE STATISTICAL SECTION

FINANCIAL TRENDS

**KEARNY BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 51,445,043
Restricted	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	2,977,180
Unrestricted	<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>(26,662,224)</u>	<u>(39,168,319)</u>
Total Governmental Activities Net Position	<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>	<u>\$ 15,253,904</u>
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 68,646	\$ 132,614	\$ 138,942	\$ 124,308	\$ 110,288	\$ 97,047	\$ 122,355	\$ 107,215	\$ 98,898	\$ 308,197
Unrestricted	<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>	<u>514,643</u>
Total Business-Type Activities Net Position	<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>	<u>\$ 822,839</u>
District-Wide:										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 51,753,240
Restricted	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	2,977,180
Unrestricted	<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>	<u>(38,653,676)</u>
Total District Net Position	<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>	<u>\$ 16,076,743</u>

Source: CAFR Schedule A-1.

KEARNY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 56,053,842
Other Special Education	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	9,920,717
Other Instruction	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	2,778,454
School-Sponsored Activities and Athletics	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	3,066,029
Support Services:										
Tuition										4,170,786
Student and Instruction Related Services	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	8,991,837
General Administration	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	2,224,329
School Administrative Services	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	9,016,478
Central Administrative Services	1,204,114	1,195,456	1,208,264	1,631,181	1,657,953	1,872,507	2,021,459	2,189,236	2,424,248	1,285,789
Administration of Information Technology										953,769
Plant Operations and Maintenance	8,796,229	8,804,501	8,712,127	8,569,081	9,007,440	8,984,044	9,643,413	10,039,580	10,068,434	10,327,879
Security										408,378
Pupil Transportation	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	1,740,244
Special Schools										75,827
Charter School										4,414,390
Interest on Long-Term Debt	530,336	560,215	702,608	704,128	628,207	654,180	681,281	545,646	503,873	275,688
Total Governmental Activities Expenses	<u>79,304,991</u>	<u>84,046,768</u>	<u>84,687,410</u>	<u>87,255,577</u>	<u>88,367,549</u>	<u>91,584,261</u>	<u>102,006,319</u>	<u>110,527,778</u>	<u>119,602,161</u>	<u>115,704,437</u>
Business-Type Activities:										
Food Service	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	2,025,965
Total Business-Type Activities Expenses	<u>1,779,829</u>	<u>2,117,868</u>	<u>1,788,415</u>	<u>2,039,672</u>	<u>2,087,488</u>	<u>2,073,328</u>	<u>2,144,004</u>	<u>2,239,874</u>	<u>2,052,524</u>	<u>2,025,965</u>
Total District Expenses	<u>\$ 81,084,820</u>	<u>\$ 86,164,636</u>	<u>\$ 86,475,825</u>	<u>\$ 89,295,249</u>	<u>\$ 90,455,037</u>	<u>\$ 93,657,589</u>	<u>\$ 104,150,323</u>	<u>\$ 112,767,652</u>	<u>\$ 121,654,685</u>	<u>\$ 117,730,402</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other Instructions/Special Schools	51,000	142,122	60,439	65,897	65,134	59,563	50,462	65,058	48,770	5,884
Operating Grants and Contributions	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	27,589,426
Capital Grants and Contributions	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	<u>25,817,182</u>	<u>21,911,286</u>	<u>15,763,189</u>	<u>21,532,554</u>	<u>24,385,165</u>	<u>20,946,740</u>	<u>27,350,553</u>	<u>33,261,221</u>	<u>56,994,245</u>	<u>27,589,426</u>
Business-Type Activities:										
Charges for Services:										
Food Service	427,416	416,267	461,515	494,235	468,029	482,377	448,935	485,056	462,487	469,939
Operating Grants and Contributions	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	1,223,529
Total Business-Type Activities Program Revenues	<u>1,236,241</u>	<u>1,487,475</u>	<u>1,554,687</u>	<u>1,709,265</u>	<u>1,727,423</u>	<u>1,798,502</u>	<u>1,711,422</u>	<u>1,797,045</u>	<u>1,728,837</u>	<u>1,693,468</u>
Total District Program Revenues	<u>\$ 27,053,423</u>	<u>\$ 23,398,761</u>	<u>\$ 17,317,876</u>	<u>\$ 23,241,819</u>	<u>\$ 26,112,588</u>	<u>\$ 22,745,242</u>	<u>\$ 29,061,975</u>	<u>\$ 35,058,266</u>	<u>\$ 58,723,082</u>	<u>\$ 29,282,894</u>
Net (Expense)/Revenue										
Governmental Activities	<u>\$(53,487,809)</u>	<u>\$(62,135,482)</u>	<u>\$(68,924,221)</u>	<u>\$(65,723,023)</u>	<u>\$(63,982,384)</u>	<u>\$(70,637,521)</u>	<u>\$(74,655,766)</u>	<u>\$(77,266,557)</u>	<u>\$(62,607,916)</u>	<u>\$(88,115,011)</u>
Business-Type Activities	<u>(543,588)</u>	<u>(630,393)</u>	<u>(233,728)</u>	<u>(330,407)</u>	<u>(360,065)</u>	<u>(274,826)</u>	<u>(432,582)</u>	<u>(442,829)</u>	<u>(323,687)</u>	<u>(332,497)</u>
Total District-Wide Net Expense	<u>\$(54,031,397)</u>	<u>\$(62,765,875)</u>	<u>\$(69,157,949)</u>	<u>\$(66,053,430)</u>	<u>\$(64,342,449)</u>	<u>\$(70,912,347)</u>	<u>\$(75,088,348)</u>	<u>\$(77,709,386)</u>	<u>\$(62,931,603)</u>	<u>\$(88,447,508)</u>

KEARNY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 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	\$ 51,694,717
Taxes Levied for Debt Service	885,380	859,576	1,198,201	248,902	740,251	1,129,457	1,119,817	1,070,232	1,048,757	1,011,767
Grants and Contributions										
Payments in Lieu of Taxes										
Tuition Received										
Federal and State Aid - Unrestricted	23,011,234	17,788,033	23,666,188	24,870,776	25,004,915	26,552,231	26,699,788	26,701,899	26,862,187	34,141,871
State Aid - Restricted for Debt Service	385,172	398,351	482,078	469,498	456,918	444,338	439,684	425,956	402,706	393,921
Donation of Capital Assets					9,000		21,500			
Loss on Disposition of Assets				(6,825)						
Investment Earnings	251,685	18,970	86,534	70,842	26,671	22,752	25,289	26,871	36,314	
Miscellaneous Income	1,169,385	1,358,379	385,695	1,111,762	746,304	427,372	558,597	1,081,059	698,933	1,094,867
Transfers	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	(313,436)	(508,262)	(509,426)	(323,214)	369,584
Adjustment to Capital Assets										(34,029,645)
Total Governmental Activities	<u>68,642,166</u>	<u>63,229,386</u>	<u>70,793,447</u>	<u>71,736,729</u>	<u>73,167,484</u>	<u>74,022,465</u>	<u>74,573,761</u>	<u>76,741,273</u>	<u>79,406,774</u>	<u>54,677,082</u>
Business-Type Activities:										
Investment Earnings										
Transfers	598,026	731,259	304,078	307,055	411,604	313,436	508,262	509,426	323,214	337,534
Adjustment to Capital Assets										206,720
Total Business-Type Activities	<u>598,026</u>	<u>731,259</u>	<u>304,078</u>	<u>307,055</u>	<u>411,604</u>	<u>313,436</u>	<u>508,262</u>	<u>509,426</u>	<u>323,214</u>	<u>544,254</u>
Total District-Wide	<u>\$ 69,240,192</u>	<u>\$ 63,960,645</u>	<u>\$ 71,097,525</u>	<u>\$ 72,043,784</u>	<u>\$ 73,579,088</u>	<u>\$ 74,335,901</u>	<u>\$ 75,082,023</u>	<u>\$ 77,250,699</u>	<u>\$ 79,729,988</u>	<u>\$ 55,221,335</u>
Change in Net Position										
Governmental Activities	\$ 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	\$ (33,437,930)
Business-Type Activities	54,438	100,866	70,350	(23,352)	51,539	38,610	75,680	66,597	(473)	211,756
Total District	<u>\$ 15,208,795</u>	<u>\$ 1,194,770</u>	<u>\$ 1,939,576</u>	<u>\$ 5,990,354</u>	<u>\$ 9,236,639</u>	<u>\$ 3,423,554</u>	<u>\$ (6,325)</u>	<u>\$ (458,687)</u>	<u>\$ 16,798,385</u>	<u>\$ (33,226,173)</u>

Source: CAFR Schedule A-2.

**KEARNY BOARD OF EDUCATION
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 12,907,470.00	\$ 7,355,662.00	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved	(1,701,304)	(1,404,832)								
Non-Spendable						222,232	111,116			
Restricted			4,758,608	8,034,102	8,891,054	9,856,929	9,467,872	9,202,878	2,924,017	738,840
Committed			541,544	131,791	180,361	529,245	423,991	309,878	764,842	1,441,048
Assigned			2,066,600	1,223,556	2,426,848	1,702,673	815,291	1,667,784	656,950	398,080
Unassigned			(1,293,550)	(1,470,132)	(1,684,780)	(1,709,765)	(1,652,334)	(1,647,226)	(1,476,171)	(1,056,520)
Total General Fund	\$ 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	\$ 1,521,448
All Other Governmental Funds:										
Reserved	\$ 3,887,907.00	\$ 7,104,783.00	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved	1,876,411	(1,349,043)								(34,744)
Restricted			4,183,257	2,007,465	1,550,311	1,044,460	499,958	2,648,799	8,314,841	479,204
Total All Other Governmental Funds	\$ 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	\$ 444,460

Source: CAFR Schedule B-1.

KEARNY BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Tax Levy	\$ 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	\$ 52,706,484
Tuition from Summer School										37,705
Rents and Royalties										173,772
Interest on Capital Reserve										50
Unrestricted Miscellaneous Revenues										188,397
Other Restricted Miscellaneous Revenues	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	1,088,864
State Sources	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	47,152,938
Federal Sources	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	3,058,858
Total Revenue	95,065,304	85,871,931	86,860,714	93,583,163	97,955,253	95,282,641	93,605,198	98,709,176	117,524,908	104,407,068
Expenditures										
Instruction:										
Regular Instruction	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	31,321,085
Special Education Instruction	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	5,056,982
Other Instruction	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	3,066,029
School Sponsored Activities and Athletics	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	280,611
Support Services:										
Tuition										4,170,786
Student and Instruction Related Services	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	6,084,367
General Administration	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	1,532,410
School Administrative Services	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	4,813,094
Central Services	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	911,173
Administration of Information Technology										552,873
Plant Operations and Maintenance	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	7,101,447
Security										236,473
Pupil Transportation	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	1,435,221
Employee Benefits										27,434,260
Transfer to Charter School										4,414,390
Special Schools										54,176
Capital Outlay	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	14,124,157
Debt Service:										
Principal	916,376	886,394	1,075,000	1,080,000	1,080,000	1,095,000	1,189,608	1,271,068	2,143,725	1,130,000
Interest and Other Charges	933,850	642,084	716,114	650,886	647,623	673,671	668,820	524,047	560,631	275,688
Cost of Issuance							108,484			
Total Expenditures	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	113,995,222
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,139,960)	(4,532,655)	(1,146,033)	(22,622)	1,648,616	400,979	(1,580,102)	(1,094,355)	(963,279)	(9,588,155)
Other Financing Sources (Uses):										
Premiums on Bonds/Notes							706,406			
Lease Purchase Proceeds						394,437		4,120,000	288,859	707,117
Bond/Refunding Bond Proceeds							6,740,000			
Payments to Escrow Agents							(7,337,922)			
Transfers In	853,881	2,742,349	343,504	1,445,496	916,198	583,738		67	8,706,717	
Transfers Out	(1,451,907)	(3,473,608)	(647,582)	(1,752,551)	(1,327,802)	(897,174)	(1,013,096)	(509,493)	(9,029,931)	(337,534)
Total Other Financing Sources (Uses)	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	81,001	(399,778)	3,610,574	(34,355)	369,584
Net Change in Fund Balances	\$ (2,737,986)	\$ (5,263,914)	\$ (1,450,111)	\$ (329,677)	\$ 1,237,012	\$ 481,980	\$ (1,979,880)	\$ 2,516,219	\$ (997,634)	\$ (9,218,571)

KEARNY BOARD OF EDUCATION
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

Fiscal Year Ended June 30,	<u>Interest</u>	<u>Rentals</u>	<u>Adult Tuition</u>	<u>Solar Energy Sales</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
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
2018	166,436	173,772	54,176	177,491	545,209	1,117,083

Source: District Records

REVENUE CAPACITY

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Utilities	Net Valuation Taxable	Estimate Actual (County Equalized) Valuation	Total Direct School Tax Rate*
2009	\$ 17,311,100	\$ 671,986,000	\$ 105,156,300	\$ 240,243,000	\$ 34,241,500	\$1,608,937,900	\$ 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	2,259,847,400	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
2018	13,073,000	690,271,140	125,225,800	215,971,050	34,006,900	1,078,547,890	2,519,308	1,081,067,198	3,866,711,268	4.921

Source: County Abstract of Ratables

* Tax rates per \$100

KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)
(Unaudited)

Calendar Year	Overlapping Rates			Total Direct and Overlapping Tax Rate
	School	Municipality	County	
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
2018	4.921	4.050	1.589	10.561

Source: County Abstract of Ratables

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

<u>Taxpayer</u>	<u>2018</u>		<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
RTC Properties, Inc.	\$ 34,957,100	3.23%	\$ 56,654,200	5.29%
PSE&G	21,819,500	2.02%	17,140,800.00	1.60%
Hugo Neu Kearny Development, LLC	12,825,100	1.19%		
Schuyler Crossing, LLC	12,681,300	1.17%		
AMB Inst Alliance Fund III	11,000,000	1.02%	13,000,000.00	1.21%
Sunset Cahuenga			9,977,300.00	0.93%
Wal-Mart	9,264,200	0.86%	7,405,800.00	0.69%
APG New Jersey, LP & BE Kearny, LP	8,500,000	0.79%		
Russo Development			8,713,700.00	0.81%
Hurricane Ass, LLC			8,000,000.00	0.75%
DVL Holdings	8,383,900	0.78%	8,675,800.00	0.81%
Terrier Associates, LLC	6,617,400	0.61%		
Hartz-Mountain Ind.			6,569,200.00	0.61%
Orangewood Prop. LTD			5,781,200.00	0.54%
Kearny Holding VF LLC	6,439,000	0.60%	6,126,800.00	0.57%
	<u>\$ 132,487,500</u>	<u>12.26%</u>	<u>\$ 148,044,800</u>	<u>13.81%</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 of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	N/A
2017	51,729,848	51,729,848	100.00%	N/A
2018	51,694,713	51,694,713	100.00%	N/A

DEBT CAPACITY

**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 Participation	Capital Leases	Intergovernmental Loans	Bond/Grant Anticipation Notes			
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
2018	6,320,000		3,297,807		15,000,000	24,617,807	42,670	577

Source: District Records

**KEARNY BOARD OF EDUCATION
RATIOS OF 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	Intergovernmental Loans	Deductions			
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
2018	6,320,000			6,320,000	0.58%	148

Source: District Records

**KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Kearny Board of Education (as of June 30, 2018)	\$ 21,320,000.00	\$ 21,320,000.00	\$
Town of Kearny (as of December 31, 2017)	63,499,893.37		63,499,893.37
	<u>84,819,893.37</u>	<u>21,320,000.00</u>	<u>63,499,893.37</u>
 Overlapping Debt Apportioned to the Municipality:			
County of Hudson	1,085,821,880.22	596,581,689.16	489,240,191.06
Passaic Valley Sewer Commission			N/A
North Jersey District Water Supply Commission			N/A
			<u>489,240,191.06</u>
 Total Direct and Overlapping Debt			<u>\$ 552,740,084.43</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 158,479,662	\$ 160,013,566	\$ 154,205,149	\$ 145,427,054	\$ 138,452,123	\$ 130,844,283	\$ 130,838,539	\$ 135,481,070	\$ 140,094,135	\$ 150,241,636
Total Net Debt Applicable to Limit	<u>15,985,000</u>	<u>15,365,000</u>	<u>14,290,000</u>	<u>13,210,000</u>	<u>12,120,000</u>	<u>11,025,000</u>	<u>9,780,000</u>	<u>8,580,000</u>	<u>7,450,000</u>	<u>21,320,000</u>
Legal Debt Margin	<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>	<u>\$ 128,921,636</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.09%	9.60%	9.27%	9.08%	8.88%	8.43%	7.47%	6.33%	5.32%	14.19%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis:	
2018	\$ 3,978,413,464
2017	3,722,339,627
2016	<u>3,567,369,627</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,756,040,906</u>
Debt Limit (4% of Average Equalization Value)	\$ 150,241,636
Total Net Debt Applicable to Limit	<u>21,320,000</u>
Legal Debt Margin	<u>\$ 128,921,636</u>

DEMOGRAPHIC AND ECONOMIC INFORMATION

**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>
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
2018	42,670	55,986	4.80%

Source: New Jersey State Department of Education

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

<u>Employer</u>	<u>2018</u>		<u>2009</u>	
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Employees</u>	<u>Rank (Optional)</u>
	*	*	*	*

Source: School District

*Information not available at time of audit.

OPERATING INFORMATION

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

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	<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>2018</u>
Instruction:										
Regular	329	408	398	411	393	399	384	370	365	*
Special Education	45	31	31	29	35	30	34	40	40	*
Other Special Education	52	36	36	38	37	44	48	52	51	*
Vocational	3	4	3	3	3	3	3	3	3	*
Support Services:										
Student and Instruction Related Services	49	61	60	58	61	60	53	56	55	*
General Administration	11	14	15	15	15	15	13	14	14	*
School Administrative Services	38	19	23	24	23	24	23	23	23	*
Central Services	10	8	9	9	9	9	8	7	8	*
Administrative Information Technology	4	4	4	4	7	7	8	8	8	*
Plant Operations and Maintenance	66	72	72	72	68	68	69	66	67	*
Pupil Transportation	4	9	12	12	12	12	13	13	13	*
Special Schools	<u>72</u>	<u>40</u>	<u>40</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>*</u>
Total	<u>683</u>	<u>706</u>	<u>703</u>	<u>712</u>	<u>700</u>	<u>708</u>	<u>693</u>	<u>689</u>	<u>684</u>	<u>*</u>

Source: District Personnel Records

*Data not available at time of audit.

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

Fiscal Year	Enrollment	a/b Operating Expenditures	c. Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment	Average Daily Attendance	Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2009	5,774	\$ 77,006,854	\$ 13,337	-12.58%	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	81,496,598	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%
2018	5,628	90,156,439	16,019	0.73%	N/A	1:15	1:22	1:13	5,548	5,548	-0.27%	100.00%

Sources: District Records

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

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

	<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>2018</u>
<u>District Building</u>										
<u>Elementary</u>										
<u>Franklin</u>										
Square Feet	108,820	108,820	108,820	108,820	114,854	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	1,012	1,027	1,029	1,056	1,095	1,086	1,103	1,146	938	935
<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	594	591	604	661	666	654	562	526	530	524
<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	748	748	749	794	825	817	865	882	911	909
<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	463	463	461	462	455	457	483	466	435	438
<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	486	484	534	518	518	504	553	530	453	454
<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	666	657	659	683	689	703	625	621	566	560
<u>High School</u>										
Square Feet	163,760	163,760	163,760	163,760	276,400	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	1,805	1,774	1,794	1,720	1,731	1,690	1,710	1,747	1,730	1,730
Number of Schools at June 30, 2018										
Elementary = 5										
Middle = 1										
High School = 1										

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

	<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>2018</u>
School Facilities:										
Kearny High School	\$ 512,894	\$ 749,779	\$ 694,882	\$ 630,522	\$ 678,456	\$ 651,132	\$ 805,694	\$ 766,505	\$ 712,077	\$ 756,037
Franklin School	448,429	376,160	348,619	316,330	340,377	326,670	404,213	384,551	357,342	379,300
Garfield School	259,983	218,096	202,128	183,407	197,349	189,402	234,361	222,962	207,128	219,917
Lincoln School	364,702	306,172	283,756	257,475	277,047	265,890	329,006	313,003	290,870	308,728
Roosevelt School	178,767	149,449	138,507	125,679	135,233	129,787	160,595	152,783	141,938	150,697
Schuyler School	226,158	189,662	175,776	159,496	171,620	164,708	203,807	193,893	180,126	191,245
Washington School	355,279	298,065	276,242	250,657	269,711	258,850	320,294	304,715	282,811	300,554
Total School Facilities	<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>	<u>\$ 2,306,478</u>

Source: District Records

**KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2018
(Unaudited)**

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

SINGLE AUDIT SECTION

550 BROAD STREET, 11TH FLOOR
NEWARK, NJ 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, NJ 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

**INDEPENDENT AUDITOR'S 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**

The Honorable President and Members
of the Board of Education
Town of Kearny Board of Education
County of Hudson
Kearny, New Jersey 07032

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 as 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Kearny Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kearny Board of Education's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of the Town of Kearny School District'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 no instances of noncompliance or other matters that are 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JOSEPH J. FACCONI

Licensed Public School Accountant #194

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTSNewark, New Jersey
January 31, 2019

550 BROAD STREET, 11TH FLOOR
NEWARK, NJ 07102-9969
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 309
FREEHOLD, NJ 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL
AWARDS (UNIFORM GUIDANCE)**

The Honorable President and Members
of the Board of Education
Town of Kearny Board of Education
County of Hudson
Kearny, New Jersey 07032

Report on Compliance for Each Major Program

We have audited the Town of Kearny Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The Town of Kearny School District'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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Old Bridge Township's School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *New Jersey State Aid/Grant Compliance Supplement*, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the Old Bridge School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Kearny School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and 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 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and New Jersey OMB's Circular 15-08

We have audited the financial statements of the Town of Kearny School District as of and for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB's Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
January 31, 2019

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

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Total Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2016		
					From	To							Accounts Receivable	Deferred Inflows	Due to Grantor
U.S. Department of Education:															
General Fund:															
Medicaid Assistance Program	93.778	1805NJSMAP	N/A	\$ 139,820.00	7/1/2017	8/30/2018	\$ -	\$ -	\$ 130,477.71	\$ (130,477.71)	\$ -	\$ -	\$ -	\$ -	
Medicaid Assistance Program	93.778	1705NJSMAP		241,870.00	7/1/2016	8/30/2017	(83,135.38)		83,135.38						
Total General Fund							(83,135.38)		193,613.07	(130,477.71)					
U.S. Department of Education Pass-Through State Department of Education:															
Special Revenue Fund:															
Title I - A	84.010A	SOLOA150030	N/A	1,558,712.00	7/1/2015	6/30/2016	55.00							55.00	
Title I - A	84.010A	SOLOA160030	N/A	1,508,360.00	7/1/2016	6/30/2017	(501,795.05)		501,795.00						
Title I - A	84.010A	SOLOA170030		1,035,873.00	7/1/2017	6/30/2018			1,035,873.00	(1,286,152.09)			(250,478.09)		
I.D.E.A. Part B - Basic Regular	84.027	H027A180100	N/A	1,345,154.00	7/1/2016	6/30/2017	(23,348.00)		23,348.00						
I.D.E.A. Part B - Basic Regular	84.027	H027A170100		1,333,229.00	7/1/2017	6/30/2017			1,223,774.00	(1,256,665.74)			(33,081.74)		
I.D.E.A. Part B - Preschool Aid	84.173	H027A170100		27,559.00	7/1/2017	6/30/2018			22,724.00	(24,222.20)			(1,498.20)		
Title II - A	84.367A	S367A150020	N/A	134,945.00	7/1/2015	6/30/2016									
Title II - A	84.367A	S367A160020	N/A	116,940.00	7/1/2016	6/30/2017	(33,808.00)		33,808.00						
Title II - A	84.367A	S367A170020		235,115.00	7/1/2017	6/30/2018			72,347.00	(168,924.00)			(96,577.00)		
Title III	84.365A	S365A160030	N/A	75,696.00	7/1/2016	6/30/2017	(11,376.00)		11,380.00					2.00	
Title III	84.365A	S365A170030		148,773.00	7/1/2017	6/30/2018			87,628.37	(87,628.37)					
Title III - Immigrant	84.365A	S365A170030		45,404.00	7/1/2017	6/30/2018			28,485.00	(33,424.00)			(4,939.00)		
Carl D. Perkins - Vocational Education	84.048A	V048A130030	N/A	58,243.00	7/1/2013	6/30/2014	(3,000.00)						(3,000.00)		
Carl D. Perkins - Vocational Education	84.048A	V048A160030	N/A	57,087.00	7/1/2016	6/30/2017	(3.00)		401.00					398.00	
Carl D. Perkins - Vocational Education	84.048A	V048A170030		63,600.00					43,228.00	(63,212.84)			(19,984.84)		
Total Special Revenue Fund							(573,077.00)		3,041,173.37	(2,920,428.24)			(408,559.87)	455.00	
U.S. Department of Agriculture Pass-Through State Department of Agriculture:															
Enterprise Fund:															
Food Distribution Program	10.555	18181NJ304N1089	N/A	138,165.33	7/1/2017	8/30/2018			145,087.40	(138,165.33)				8,902.07	
Food Distribution Program	10.555	171NJ304N1089	N/A	187,491.00	7/1/2016	6/30/2017	3,448.00			(3,448.00)					
National Lunch Breakfast Program	10.555	18181NJ304N1089	N/A	1,008,206.48	7/1/2017	6/30/2018			932,090.29	(1,008,298.48)			(76,208.19)		
National Lunch Breakfast Program	10.555	171NJ304N1089	N/A	104,343.00	7/1/2016	6/30/2017	(67,465.00)		67,465.00						
National Lunch Program	10.555	18181NJ304N1089	N/A	198,575.71	7/1/2017	6/30/2018			180,159.77	(198,575.71)			(18,415.94)		
National Lunch Program	10.555	171NJ304N1089	N/A	972,563.00	7/1/2016	6/30/2017	(17,182.00)		17,192.00						
Total Enterprise Fund							(81,209.00)		1,341,974.46	(1,348,485.52)			(94,822.13)	6,902.07	
U.S. Department of Transportation:															
Airport Improvement Program:															
Aircraft Noise Abatement - K.H.S.	20.106	N/A	N/A	21,145,025.00	N/A	N/A	(7,918,644.88)		4,867,228.93				(3,051,415.73)		
Total U.S. Department of Transportation - Capital Project Fund							(7,918,644.88)		4,867,228.93					(3,051,415.73)	
Total Federal Financial Awards							\$ (8,838,086.02)	\$ -	\$ 9,443,888.83	\$ (4,388,392.47)	\$ -	\$ -	\$ (2,555,597.73)	\$ 7,357.07	\$ -

The accompanying Notes to the Schedules of Awards and Financial Assistance are an integral part of this schedule.

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Award Amount	Fiscal Period		Balance June 30, 2017				Balance June 30, 2018				Memo					
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover (Withdraw) Amount	Cash Reported	Budgetary Expenditures Pass-Through Funds	Budget Expenditures Direct	Adjustments	Repayment of Prior Years' Balances	Intergovernmental Accounts Receivable	Deferred Inflows/Intelfund Payable	Due to Grantor	Budgetary Reconciling	Cumulative Total Expenditures	
State Department of Education:																		
General Fund:																		
Special Education Aid	18-495-034-5120-068	\$ 3,583,423.00	7/1/2017	6/30/2018	\$	\$	\$	\$ 3,229,353.46	\$ (3,583,423.00)	\$	\$	\$	\$	\$	\$	\$	\$ 354,069.54	\$ 3,583,423.00
Special Education Aid	17-495-034-5120-085	3,583,423.00	7/1/2016	6/30/2017	(355,870.00)			355,870.00										
Equalization Aid	18-495-034-5120-078	28,398,355.00	7/1/2017	6/30/2018				25,942,280.42	(28,398,355.00)									28,398,355.00
Equalization Aid	17-495-034-5120-078	26,206,446.00	7/1/2016	6/30/2017	(2,802,464.00)			2,602,464.00										
Security Aid	18-495-034-5120-084	408,318.00	7/1/2017	6/30/2018				387,871.26	(408,318.00)									408,318.00
Security Aid	17-495-034-5120-084	408,318.00	7/1/2016	6/30/2017	(40,580.00)			40,580.00										
Transportation Aid	18-495-034-5120-014	57,192.00	7/1/2017	6/30/2018				51,640.99	(57,192.00)									57,192.00
Transportation Aid	17-495-034-5120-014	57,192.00	7/1/2016	6/30/2017	(5,860.00)			5,660.00										
Under Adequacy Aid	18-495-034-5120-096	500,000.00	7/1/2017	6/30/2018				450,996.18	(500,000.00)									500,000.00
Under Adequacy Aid	17-495-034-5120-096	500,000.00	7/1/2016	6/30/2017	(49,656.00)			49,656.00										
PARCC Readiness Aid	18-495-034-5120-098	58,140.00	7/1/2017	6/30/2018				52,395.32	(58,140.00)									58,140.00
PARCC Readiness Aid	17-495-034-5120-098	58,140.00	7/1/2016	6/30/2017	(5,774.00)			5,774.00										
Per Pupil Growth Aid	18-495-034-5120-097	58,140.00	7/1/2017	6/30/2018				52,395.32	(58,140.00)									58,140.00
Per Pupil Growth Aid	17-495-034-5120-097	58,140.00	7/1/2016	6/30/2017	(5,774.00)			5,774.00										
Professional Community Learning Aid	18-495-034-5120-101	58,330.00	7/1/2017	6/30/2018				52,966.55	(58,330.00)									58,330.00
Professional Community Learning Aid	17-495-034-5120-101	58,330.00	7/1/2016	6/30/2017	(5,783.00)			5,783.00										
Total State Aid Public					(3,071,560.00)			33,270,659.50	(33,119,808.00)								2,500,796.50	33,119,808.00
Extraordinary Aid	17-100-034-5120-473	381,471.00	7/1/2016	6/30/2017				381,471.00										
Extraordinary Aid	18-100-034-5120-473	410,735.00	7/1/2017	6/30/2018	(381,471.00)				(410,735.00)									410,735.00
Social Security Aid	17-495-034-5094-003	2,792,676.00	7/1/2016	6/30/2017	(813,628.00)			913,628.00				(410,735.00)						410,735.00
Social Security Aid	18-495-034-5094-003	2,468,392.96	7/1/2017	6/30/2018				2,211,938.27	(2,468,392.96)									2,468,392.96
On Behalf/TPAF	17-495-034-5094-004	152,416.00	7/1/2016	6/30/2017								(258,856.89)						258,856.89
TPAF - Post-Retirement Medical	18-495-034-5094-001	3,670,561.00	7/1/2017	6/30/2018				3,670,561.00	(3,670,561.00)									3,670,561.00
TPAF Pension Contribution	18-495-034-5094-002	5,683,050.00	7/1/2017	6/30/2018				5,683,050.00	(5,683,050.00)									5,683,050.00
TPAF - Noncontributory Insurance	18-495-034-5094-004	7,888.00	7/1/2017	6/30/2018				7,888.00	(7,888.00)									7,888.00
Total General Fund					(4,046,658.00)			45,819,193.77	(45,360,522.96)				(667,191.69)				3,567,986.19	45,360,522.96
Special Revenue Fund:																		
Early Childhood Program Aid	07-495-034-5120-025	2,511,213.00	7/1/2006	6/30/2007	723,481.00			(486,758.22)					206,641.78					
Preschool Education Aid	14-486-034-5120-066	439,560.00	7/1/2014	6/30/2015	78,888.00			(78,988.00)										
Preschool Education Aid	16-486-034-5120-086	368,279.00	7/1/2015	6/30/2016	(67,352.00)													
Preschool Education Aid	17-486-034-5120-086	347,865.00	7/1/2016	6/30/2017	35,997.00													
Preschool Education Aid	18-495-034-5120-086	351,648.00	7/1/2017	6/30/2018				387,096.22	(351,648.00)									351,648.00
New Jersey Nonpublic Aid:																		
Textbook Aid	17-100-034-5120-064	5,418.00	7/1/2016	6/30/2017														
Textbook Aid	18-100-034-5120-064	7,012.00	7/1/2017	6/30/2018				7,012.00	(7,012.00)									7,012.00
Auxiliary Services:																		
Compensatory Education	17-100-034-5120-067	23,291.00	7/1/2016	6/30/2017														
Compensatory Education	18-100-034-5120-067	868.00	7/1/2017	6/30/2018				868.00	(868.00)									868.00
ESL	17-100-034-5120-067	2,741.00	7/1/2016	6/30/2017														
Handicapped Services:																		
Examination and Classification	17-100-034-5120-066	8,465.00	7/1/2016	6/30/2017				4,561.00										
Corrective Speech	17-100-034-5120-066	7,968.00	7/1/2016	6/30/2017				2,974.00										
Corrective Speech	18-100-034-5120-066	8,005.00	7/1/2017	6/30/2018				8,035.00	(1,161.20)									8,035.00
Supplementary	17-100-034-5120-066	8,632.00	7/1/2016	6/30/2017														
Supplementary	18-100-034-5120-066	5,521.00	7/1/2017	6/30/2018				5,561.00	(2,220.40)									5,561.00
Hearing	17-100-034-5120-070	8,720.00	7/1/2016	6/30/2017														
Hearing	18-100-034-5120-070	13,871.00	7/1/2017	6/30/2018				13,871.00	(1,995.11)									13,871.00
Technology	17-100-034-5120-373	2,444.00	7/1/2016	6/30/2017														
Technology	18-100-034-5120-373	4,736.00	7/1/2017	6/30/2018				4,736.00	(4,736.00)									4,736.00
Security	17-100-034-5120-508	5,400.00	7/1/2016	6/30/2017														
Security	18-100-034-5120-508	10,725.00	7/1/2017	6/30/2018				10,725.00	(10,725.00)									10,725.00
Department of Human Services:																		
School Based Youth Services	8800020	271,567.00	7/1/2017	6/30/2018				275,366.51	(275,366.51)									275,366.51
School Based Youth Services	8800020	271,567.00	7/1/2016	6/30/2017														
School Based Youth Services	8800020	271,567.00	7/1/2014	6/30/2015														
School Based Youth Services	8800020	271,567.00	7/1/2013	6/30/2014														
School Based Youth Services	8800020	282,567.00	7/1/2012	6/30/2013														
School Based Youth Services	8800020	271,567.00	7/1/2009	6/30/2010														
Total Special Revenue Fund					27,839.00	20,147.00		712,605.01	(1,322,678.44)				28,000.00				34,745.50	1,322,678.44

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grant/Program Title	Grant or State Project Number	Award Amount	Grant Period		Balance June 30, 2017		Committed (Waiver) Amount	Carri. Enclosed	Budgetary Expenditures Pass-Through Funds	Budget Expenditures Direct	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2018			Totals	
			From	To	Deferred Revenues (Accounts Receivable)	Due to Grantee							Intergovernmental Accounts Receivable	Deferred Inflows/ Interfund Payable	Due to Grantee	Budgetary Receivable	Cumulative Total Expenditures
NJ Economic Development Authority Facilities Grant																	
KHS - Facade	2410-020-05-1400	\$ 2,433,708.00	N/A	N/A	\$ (474,803.00)	\$	\$	\$ 12,325,664.90	\$	\$	\$	\$	\$ (474,803.00)	\$	\$	\$	\$
KHA Across Home Abatement	2410-050-04-3000	17,508,507.00	N/A	N/A	(15,759,614.00)								(3,433,659.10)				
Franklin School and BDE Offices	2410-002-08-1002	673,582.00	N/A	N/A	(673,582.00)								(673,582.00)				
Franklin School Alterations	2410-070-08-2001	47,250.00	N/A	N/A	(47,250.00)								(47,250.00)				
Total Capital Projects Fund					(17,155,049.00)			12,325,664.90					(4,829,094.10)				
Debt Service Aid	17-485-034-5120-075	402,706.00	7/1/2016	6/30/2017				363,921.00	(363,921.00)								363,921.00
Debt Service Aid	18-485-034-5120-075	363,921.00	7/1/2017	6/30/2018				363,921.00	(363,921.00)								363,921.00
Total Debt Service								727,842.00	(727,842.00)								
State Department of Agriculture Enterprise Fund																	
National Lunch Program	18-100-010-3350-023	21,727.46	7/01/2017	6/30/2018				20,111.19	(21,727.46)				(1,616.27)				21,727.46
National Lunch Program	17-100-010-3350-023	20,808.00	7/01/2016	6/30/2017	(1,420.00)			1,420.00									
Total Enterprise Fund					(1,420.00)			21,531.19	(21,727.46)				(1,616.27)				21,727.46
Total State Financial Assistance					\$ (20,246,473.00)	\$ 29,147.00	\$ -	\$ 59,273,206.87	\$ (47,089,047.86)	\$ -	\$ -	\$ 26,900.00	\$ (5,497,602.06)	\$ 289,795.78	\$ 22,080.25	\$ 3,822,733.69	\$ 46,705,128.66
On Behalf TPAF Contributions Not Subject to OMB 15-061																	
On-Behalf TPAF Pension Contributions	18-485-034-5085-002								\$ 1,919,316.00								
On-Behalf TPAF (Post-Retirement Medical) Contributions	18-485-034-5085-001								1,586,227.00								
On-Behalf TPAF Noncontributory Insurance	18-485-034-5084-004								4,980.00								
Total - Major Program Determination for State Financial Assistance									\$ (43,575,544.86)								

The accompanying notes to the Schedules of Awards and Financial Assistance are an integral part of this schedule.

TOWN OF KEARNY SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2018

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Town of Kearny School District. The School District is defined in Note 1(A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed-through other government agencies is included on the Schedule of Federal Awards and State Financial Assistance.

2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on 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. This basis of accounting is described in Note 1 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 amounts presented in or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$512,234.50 for the general fund and \$(42,696.00) for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 130,477.71	\$ 45,872,757.46	\$ 46,003,235.17
Special Revenue Fund	2,928,380.04	1,280,180.44	4,208,560.48
Food Service	<u>1,348,485.26</u>	<u>20,111.19</u>	<u>1,368,596.45</u>
Totals	<u>\$ 4,407,343.01</u>	<u>\$ 47,173,049.09</u>	<u>\$ 51,580,392.10</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. FEDERAL AND STATE LOANS OUTSTANDING

The District had no loans payable outstanding to federal or state entities at June 30, 2018.

6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively.

TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

On-Behalf TPAF Post-Retirement Medical Benefit Contributions represents the amount paid directly by the State of New Jersey for post-retirement medical benefits for TPAF members retired from the District for the year ended June 30, 2018.

7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit. 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.

8. 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.

**TOWN OF KEARNY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes √ No

2) Significant deficiencies identified?

_____ Yes √ None Reported

Noncompliance material to basic financial statements noted?

_____ Yes √ No

Federal Awards

Internal control over major programs:

1) Material weakness(es) identified?

_____ Yes √ No

2) Significant deficiencies identified?

_____ Yes √ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidance?

_____ Yes √ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Numbers</u>	<u>Name of Federal Program</u>
84.010	S010A160030	Title I, Part A
84.027	H027A160100	IDEA, Part B - Basic
10.555	181NJ304N1099	National School Lunch

Dollar threshold used to distinguish between Type A and Type B Programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes √ No

**TOWN OF KEARNY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results (Continued)

State Financial Assistance

Internal control over major programs:

- | | | | | |
|---|-------|-----|---|---------------|
| 1) Material weakness(es) identified | _____ | Yes | _____ <input checked="" type="checkbox"/> | No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | _____ <input checked="" type="checkbox"/> | None Reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08?

_____ Yes _____ No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Aid
18-495-034-5094-003	Reimbursed Social Security

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,199,763.66

Auditee qualified as low-risk auditee? _____ Yes _____ No

Section II - Financial Statement Findings:

No financial statement findings that are required to be reported under *Government Auditing Standards*.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs:

a) Federal Award Findings and Questioned Costs:

There were no findings or questioned costs for federal awards.

b) State Award Findings and Questioned Costs:

There were no findings or questioned costs for state financial assistance.

**TOWN OF KEARNY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2018**

There were no prior years' findings.

