

SCHOOL DISTRICT

OF

KENILWORTH



**KENILWORTH BOARD OF EDUCATION
KENILWORTH, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

KENILWORTH BOARD OF EDUCATION

KENILWORTH, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY

**KENILWORTH BOARD OF EDUCATION
FINANCE DEPARTMENT**

KENILWORTH SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 to 9.
Roster of Officials	10.
Consultants and Advisors	11.
Organizational Chart	12.
FINANCIAL SECTION	
Independent Auditor's Report	13 to 15.
Required Supplementary Information – Part I	
Management's Discussion and Analysis	16 to 22.
<u>Basic Financial Statements</u>	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	23.
A-2 Statement of Activities	24 & 25.
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26.
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	27 & 28.
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29.
Proprietary Funds:	
B-4 Statement of Net Position	30.
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	31.
B-6 Statement of Cash Flows	32.
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	33.
B-8 Statement of Changes in Fiduciary Net Position	34.
Notes to Financial Statements	35 to 66.

KENILWORTH SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	67 to 78.
C-1b Budgetary Comparison Schedule – General Fund – Education Jobs Fund	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	79.
Notes to the Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	80.
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	81.
L-2 Schedule of District Contributions – PERS	82.
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF	83.
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	84.
Other Supplementary Information	
D. School Level Schedules:	
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

KENILWORTH SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	85 to 87.
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Project Revenues, Expenditures, and Changes In Fund Balance – Budgetary Basis	N/A
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Renovation to Elementary Schools	N/A
G. Proprietary Fund:	
Enterprise Fund:	
G-1 Schedule of Net Position	88.
G-2 Schedule of Revenues, Expenses and Changes in Fund Net Position	89.
G-3 Schedule of Cash Flows	90.
Internal Service Fund:	
G-4 Schedule of Net Position	N/A
G-5 Schedule of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	91.
H-2 Statement of Changes in Fiduciary Net Position	92.
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	93.
H-4 Payroll Agency Fund Schedule of Changes in Assets and Liabilities	94.

KENILWORTH SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	95.
I-1a Schedule of Loans Payable	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	96.

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1 Net Position by Component	97.
J-2 Changes in Net Position	98 & 99.
J-3 Fund Balances -- Governmental Funds	100.
J-4 Changes in Fund Balances -- Governmental Funds	101.
J-5 General Fund Other Local Revenue by Source	102.

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	103.
J-7 Direct and Overlapping Property Tax Rates	104.
J-8 Principal Property Taxpayers*	105.
J-9 Property Tax Levies and Collections	106.

Debt Capacity

J-10 Ratios of Outstanding Debt by Type	107.
J-11 Ratios of General Bonded Debt Outstanding	108.
J-12 Direct and Overlapping Governmental Activities Debt	109.
J-13 Legal Debt Margin Information	110.

Demographic and Economic Information

J-14 Demographic and Economic Statistics	111.
J-15 Principal Employers	112.

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program	113.
J-17 Operating Statistics	114.
J-18 School Building Information	115.
J-19 Schedule of Required Maintenance Expenditures by School Facility	116.
J-20 Insurance Schedule.	117.

*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

KENILWORTH SCHOOL DISTRICT

TABLE OF CONTENTS

Page

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>	118 & 119.
K-2	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08	120 to 122.
K-3	Schedule of Expenditures of Federal Awards, Schedule A	123.
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	124.
K-5	Notes to Schedules of Awards and Financial Assistance	125 to 127.
K-6	Schedule of Findings and Questioned Costs	128 to 132.
K-7	Summary Schedule of Prior Audit Findings	133.

INTRODUCTORY SECTION

Dr. Marilyn Birnbaum
Acting Superintendent



Vincent A. Gonnella
School Business Administrator/
Board Secretary
Ext. 1550

Kenilworth Public Schools
Office of the School Business Administrator/Board Secretary

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426 Boulevard
Kenilworth, New Jersey 07033
908-276-1644

November 16, 2018

Honorable President and
Members of the Board of Education
Kenilworth School District
County of Union, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations, Part 200, "Audits of State and Local Governments," and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." 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.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

1) REPORTING ENTITY AND ITS SERVICES:

The Kenilworth School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Board 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 as well as special education for handicapped youngsters. The District's enrollment as of October 15, 2018 was 1,397 students. The following details the changes in the student enrollment of the District over the last ten years using an October 15th count:

FISCAL YEAR	October 15th Enrollment	Enrollment % Change
2017 - 2018	1397	4.02%
2016 - 2017	1343	(0.74%)
2015 - 2016	1353	(4.18%)
2014 - 2015	1412	1.66%
2013 - 2014	1389	(0.79%)
2012 - 2013	1400	5.8%
2011 - 2012	1323	0.53%
2010 - 2011	1316	(3.73%)
2009 - 2010	1367	4.03%
2008 - 2009	1314	(2.38%)
2007 - 2008	1346	2.28%
2006 - 2007	1316	(3.16%)
2005 - 2006	1359	6.09%
2004 - 2005	1281	1.18%
2003 - 2004	1266	2.51%
2002 - 2003	1235	7.48%
2001 - 2002	1149	6.09%
2000 - 2001	1083	3.54%
1999 - 2000	1046	6.30%
1998 - 1999	984	5.80%
1997 - 1998	930	37.98%
1996 - 1997	674	(3.44%)
1995 - 1996	698	6.24%
1994 - 1995	657	2.01%
1993 - 1994	644	6.62%
1992 - 1993	604	(3.20%)
1991 - 1992	624	5.40%
1990 - 1991	592	(3.26%)
1989 - 1990	612	----

You may note that the Board is directly responsible for overseeing high school-aged students attending the Brearley School; the data shows a dramatic change from the K-8 data. The 1997-1998 data was the new base for enrollment; you will note a more "normal" change since the 1997-1998 school year. The major shift in

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

responsibility was a common theme throughout the annual audit and financial reports, making any comparison between past school years and those school years very difficult without a detailed breakdown. The 1997-1998 school year's figures would not be a true picture for future analysis due to the large cost of establishing the high school for the first school year. However, the 2014-2015 figures are more in line with what should be a normal statistical year.

2) ECONOMIC CONDITION AND OUTLOOK:

The Kenilworth area has seen the effects of the downturn in the global economy.

What is quickly becoming a reality is that more and more of our budget is dominated by fixed costs, many being mandated and contractual obligations. Trends indicate that spending in the area of contractual and mandated categories are increasing while spending in discretionary and non-contractual items of spending are decreasing. Trends have seen increases in mandated Special Education Programs and health benefits well above 2% annual increases.

Currently, the use of "banked cap" has allowed the district to stay within the State mandated restrictive cap on expenditures and enable the district to expand programs to meet our ever changing demographic population. In addition, the Board continues to look to other revenue sources while actively containing expenditures. Funding beyond the current school year is questionable. The district did see a sizable increase in State Aid and if the current funding formula hold, we anticipate increases in the future

The community remains a vital part of the Board's success; it provides financial support to the Board in addition to the numerous volunteer activities conducted by parents and community members. In December 2008, the community passed a \$13.9 million facility referendum which greatly enabled the district to maintain its facilities in a safe and economic manner.

With changes in the election laws, in February 2012, the Board of Education authorized the change in the election cycle from April to November. As a result, the Board needed to submit a budget for review to the Executive County Superintendent. Once approved and a public hearing was held on the budget, the Board of Education adopted the budget. Since the budget was under the 2% mandatory cap on tax levy, no voter approval was necessary.

STATUS OF FACILITIES:

With the dissolution of the Union County Regional High School District #1 on June 30, 1997, the Board assumed control of the David Brearley School. The Brearley School is a 150,267 square foot facility built for high school education in the 1960's, with additions in the 1970's. The school has housed grades 7-12 since the 1997-98 school year. The Warren Harding Elementary School houses the district's Pre-K to grade 6 population. The Harding School is a 90,500 square foot facility built in 1923 with major additions in the 1950's, 1960's and 1970's.

COMPREHENSIVE MAINTENANCE SUMMARY:

The Board firmly believes the upkeep of its school facilities is a vital role of the Board and emphasizes providing a clean, safe atmosphere for student learning.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

Consistent with maintaining buildings at a level of excellence and Kenilworth standards, a total of \$319,173 was spent on Renovations/Repairs to the Harding and Brearley facilities during the 2017-2018 school year:

Harding School:

Repair of Building & Equipment	\$ 76,941	
Instructional Equipment Repairs	<u>\$ -</u>	\$ 76,941

Brearley School:

Repair of Building & Equipment*	\$ 49,087	
Instructional Equipment Repairs	<u>\$ -</u>	\$ 49,087

District Level:

Contracted Upkeep of Grounds (No Salaries)	\$ 50,473	
Purchased Professional Services	\$ 38,521	
Contracted Services Maintenance	\$ 41,337	
Maintenance Supplies & Materials	\$ 42,816	
Maintenance Agreements	<u>\$ 19,998</u>	\$ 193,145
		<u>\$ 319,173</u>

Total

STATUS OF LONG-RANGE FACILITY PLAN (N.J.A.C. 6:22-7.1):

The Board of Education revised its Five-Year Facility Plan that was submitted to the Department of Education in December 2000. The Department of Education has completed its preliminary review of the plan and has found it to be complete. On November 1, 2001, the Board of Education submitted an updated Long Range Facilities Plan to the Department containing an inventory of the 40 building systems delineated in the plan. The Board of Education updated the Long Range Facilities Plan for submission to the Department of Education in the Fall of 2005. On May 23, 2007, the district was notified that the plan was reviewed for completeness and was now under technical review. In 2008, the district amended the plan to include projects intended for the scheduled facility referendum in December 2008. The district received approval on the amended plan on September 8, 2009.

The district held a facility referendum in December 2008. The \$13.9 million question was approved by the community. Planning for the implementation of the project began immediately. The Harding and Brearley Schools are aging and some of the major systems are beginning to show their age. Increased concerns from external security threats need to be seriously considered and modifications to facilities need to be made accordingly. The Board has developed a facility plan to address these deficiencies and restore the facilities to the pristine and safe level expected of the community. The projects being targeted are not glamorous in nature or clearly evident with the naked eye. Targeted projects for the referendum include windows, roofs, doors, and upgrades to electrical systems and ventilation systems.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

These projects emphasized safety, security and upgrading the aging systems. Students spend more than 7 hours a day, 180 days a year, for 14 years in our facilities; it is imperative that they continue to be in a safe and secure environment for learning.

The projects were implemented over the summers of 2009-2013;

Summer 2009 completed projects included window replacement at Brearley, new interior classroom doors with special safety locks in both buildings, replacement & upgrades to the ventilation systems in both buildings to improve indoor air quality, fire department connections and sprinkler systems in both buildings, upgrades to the buildings fire alarm systems and a new roof for Brearley's auditorium.

Summer 2010 completed projects included roof replacements on the Harding and Brearley Schools, extensive site work including an expansion of the Harding School faculty parking lot and construction of a drop-off loop with additional parking in the front of Harding School, new signage for Brearley, expansion and complete renovation of the locker room facilities at Brearley and the building of an addition to house the athletic training facilities.

Summer 2011 completed projects included renovations to the Brearley Library and extensive site work on the Brearley campus including a redesign and expansion of the parking lot and replacement of sidewalks.

Summer 2012 completed projects included renovations to the Harding Library.

Summer 2013 completed projects included renovations to the Brearley Science Labs and Art rooms.

Summer 2015 renovation on Harding Cafeteria was completed, including a new ceiling. A water fountain upgrade project was started in the Spring of 2016 and were completed by the Spring of 2017.

The district has made significant infrastructure changes to the school in the area of safety and security.

STATUS OF REQUIRED ANNUAL HEALTH AND SAFETY REVIEW:

The Head of Maintenance conducted annual and monthly inspections of the buildings. The School Business Administrator conducted an annual inspection of the buildings. The two building principals have conducted "Checklist Report: Evaluation of School Buildings Indicator 7.6" which are included in this submission. All health and safety matters of an immediate nature were taken care of. All required health and safety certificates are on file in the boiler room and the school cafeterias. The three-year reinspection and update of the Asbestos Management Plan for Harding School was conducted in 1992, and updated in 1995. In 2018 a three-year re-inspection was conducted on both the Harding and Brearley facilities, along with major updates to the plan.

In the Spring of 2016, in anticipation of mandated testing of drinking water, the Kenilworth School District tested all domestic water fixtures used for drinking or cooking for high levels of lead. The tests results were negative and the water was not contaminated. The Board, however decided to proceed with an upgrade of water fountains throughout the buildings.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

3) MAJOR INITIATIVES INSTRUCTIONAL PROGRAM:

The Kenilworth Public School District has operated as a Pre K-12 system since July 1, 1997. The school district continues its quest toward excellence through assessment and refinement of the educational programs and the continuation of extra-curricular opportunities for its students.

District goals in 2017-2018 were proposed to improving performance at both Harding Elementary School and David Brearley Middle-High School. The goals focused on aligning curricula to the New Jersey Learning Standards (NJSLs) as a primary effort to enhance current academic scheduling, providing high-quality professional development for faculty with the intent that such training will promote student achievement, providing individualized learning experiences, and implementing best practices in literacy across content areas.

Harding Elementary School teachers spent much time continuing to implement their guided reading program, specifically through the Teachers College model of balanced literacy. The teachers also continued to implement their Go Math K-5 series, which was also aligned with the 2015 version of the Common Core State Standards (NJSLs). This implementation began in 2016-2017 and continued in 2017-2018 with a focus on data-driven instruction. Also, professional development was focused on our data warehouse, LinkIt! This was the second year of a multi-year initiative to both improve our database of information and further implement a data warehouse which will help us meet the needs of our learners. This two-year implementation provides teachers and leaders with a more robust system of data for analysis to improve programs and instruction.

Brearley Middle-High School teachers received professional development on implementing close reading in all content areas. Teachers were provided techniques regarding the best way to include close reading in their lessons. The ability to read a complex text and to understand what is being stated or implied within it is a skill needed in all content areas, not just in English Language Arts. The close reading professional development sessions stressed this concept. Teachers of all subject areas were encouraged to see themselves as teachers of both content and reading. The math and science departments continue to receive professional development from Rutgers University on best practice regarding the Next Generation Science Standards and mathematical higher order thinking skills.

To provide more individualized learning experiences for Kenilworth's children, the middle-high school continues with its two specialized learning programs to target young adults' specific learning requirements and career interests. The Alternative Classroom Experience (ACE) helps adolescents recover high school credit they may not have acquired during the regular school day. The Kenilworth Scholars' Academy, enrolled Grades 7-11 students. These students are provided a "university-level" experience that allows them to focus on a specialization by their senior year of high school. Students in the Scholars' Academy continue to participate in virtual science labs and STEM field trips which are paid for by a grant from Merck. Both learning experiences address the needs of two student populations who often go underserved in school districts around the country. The by-product of the implementation of the ACE and Scholars' Academy programs is the creation of smaller and more intimate learning environments that provide Kenilworth's children with the highly individualized academic, social, and emotional attention they deserve. In 2017-2018 the district continued to grow the Scholars' Academy program by raising the number of academy spots we allocate in our school Choice program to attract high achieving learners from surrounding communities.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

4) INTERNAL ACCOUNTING CONTROLS:

The 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 is 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 the costs and benefits requires estimates and judgements 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 project fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated 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 and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

7) DEBT ADMINISTRATION:

2003 ERIP Refinance:

The District refunded Bonds associated with the NJ Pension Early Retirement Incentive Plan in the amount of \$410,000 on September 29, 2003. Total Debt Service in the amount of \$36,600 was paid during the fiscal year 2017. A \$30,000 principal payment was made. Outstanding debt as of June 30, 2018 was \$105,000.

2009 Bond Issue:

A \$13,900,000 Bond Referendum was passed on December 9, 2008. Bonds were issued during the 2008-2009 school year. Proceeds are being used for a variety of facility upgrades including site development, health and safety matters, roofs, doors, windows, and classroom alterations. Total Debt Service in the amount of \$832,600 was paid during the fiscal year 2017. A \$740,000 principal payment was made. This bond was refunded in the Spring of 2016 with outstanding debt, as of June 30, 2018 of \$2,275,000.

2016 Refunding:

In the Spring of 2016 the 2009 Bond issue was refinanced due to potential savings. Total Debt Service in the amount of \$370,800 was paid during the fiscal year 2017. A \$0 principal payment was made. The principal balance as of June 30, 2018 was \$9,270,000.

Total outstanding debt for the District as of June 30, 2018, was \$11,650,000.

8) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement," Note 2. 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. 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. As mentioned earlier, historically low interest rates impeded the district's ability to generate interest income compared to previous years.

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, and fidelity bonds for the Business Administrator, Assistant to the Board Secretary, and the Treasurer of School Monies.

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert S. Hulsart and Company was selected by the Board to conduct the annual independent audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, and the related OMB Circular A - 133 and state Treasury Circular Letter 15-08 OMB. The auditor's

*Birnbaum/Gonnella to Board of Education
November 16, 2018*

report on the general purpose 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 Kenilworth Board of Education 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 central office staff.

Respectfully submitted,



Dr. Marilyn Birnbaum
Superintendent



Vincent A. Gonnella
Board Secretary/Business Administrator

**KENILWORTH BOARD OF EDUCATION
KENILWORTH, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Nancy Zimmerman, President	12/31/2020
Mark Jankiewicz, Vice President	12/31/2018
Robert Beiner	12/31/2019
Genean Braun	12/31/2018
Gregg F. David	12/31/2020
Paulette Drogon	12/31/2018
Annmarie Duda	12/31/2019
Anthony Laudati	12/31/2019
Ryan Haberthur	12/31/2020

Other Officials:

Brian Luciani, Acting Superintendent of Schools

Vincent A. Gonnella, Board Secretary/Business Administrator

Jeanne Decker, Treasurer

Vito A. Gagliardi, Jr., Esq., Solicitor

Administration:

Dana Chibarro, Principal David Brearley Middle/High School
 Kathleen Murphy, Principal, Warren Harding Elementary School
 Michele Tiedmann, Director of Pupil Personnel Services
 Dana Cansian, Supervisor
 Lauren Bound, Supervisor
 Ronald Bubnowski, Assistant Principal
 John Foscolo, Assistant Principal
 Christopher Caponegro, Supervisor of Buildings & Grounds
 Scott Miller, Supervisor of Athletics & Health Education
 Joant Rodriguez, Manager of Information Technology

**KENILWORTH BOARD OF EDUCATION
KENILWORTH, NEW JERSEY**

CONSULTANTS & ADVISORS

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Somerville, NJ 08876-0758

Audit Firm

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2807 Hurley Pond Road
P.O. Box 1409
Wall, New Jersey 07719

Attorney

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Porzio, Bromberg & Newman, P.C.
100 Southgate Parkway, PO Box 1997
Morristown, NJ 07962-1997

Labor Counsel

Anthony P. Sciarrillo, Esq.
Sciarrillo Cornell, L.L.C
238 St. Paul Street
Westfield, NJ 07090

Official Depository

Investors Bank
Cranford, NJ 07033

Insurance Agent/Risk Manager

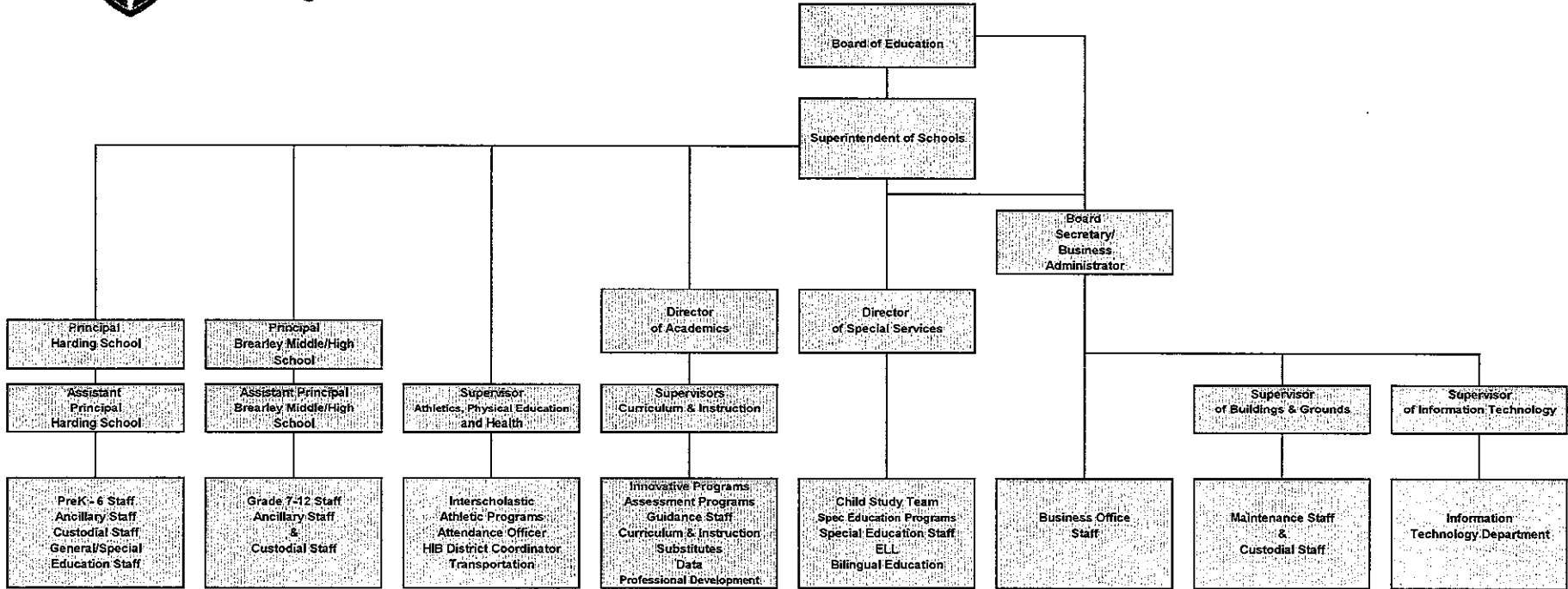
CBIZ Agency
219 South Street
New Providence, NJ 07974

Health Benefits Advisor

Brown & Brown Benefit Advisors
5 Regent Street, Suite 523
Livingston, NJ 07039



**Kenilworth Public Schools
2017 - 2018 School Year
Organizational Chart**



Updated August 2017

FINANCIAL SECTION

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Kenilworth School District
County of Union
Kenilworth, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kenilworth School District, in the County of Union, 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 District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kenilworth School District, in the County of Union, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are 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 (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Kenilworth's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kenilworth Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

November 16, 2018

REQUIRED SUPPLEMENTARY INFORMATION
PART I

KENILWORTH PUBLIC SCHOOL DISTRICT
BOROUGH OF KENILWORTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of Kenilworth Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2017-2018 fiscal year are as follows:

- General revenues accounted for \$29,490,892 in revenue or 96% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,097,670 or 4% percent to total revenues of \$30,588,562.
- The School District had \$29,635,383 in expenses; only \$1,097,670 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$29,490,892 were adequate to provide for these programs.
- The General Fund had \$28,724,845 in revenues, \$27,832,176 in expenditures. The General Fund's balance increased \$892,669 from 2017. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Kenilworth Public School District, the General Fund is the most significant fund, with the Special Revenue Fund and Capital Project's Fund also having significance.

Using this Comprehensive Annual Financial Report (CAFR)

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These 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 account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, 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 School District's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Table 1 provides a summary of the School District's net position comparisons of fiscal year 2018 with 2017.

Table 1
Net Position

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and Other Assets	\$ 3,953,220	3,036,545
Capital Assets, Net	<u>9,453,024</u>	<u>10,073,375</u>
Total Assets	<u>\$ 13,406,244</u>	<u>13,109,920</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>\$ 1,509,924</u>	<u>1,840,939</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$ 1,000,024</u>	<u>51,600</u>
<u>Liabilities</u>		
Current Liabilities	\$ 1,097,497	1,088,359
Long Term Liabilities	<u>16,031,988</u>	<u>18,009,834</u>
Total Liabilities	<u>\$ 17,129,485</u>	<u>19,098,193</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ (1,496,976)	(1,646,625)
Restricted	3,591,382	2,525,728
Unrestricted	<u>(5,307,747)</u>	<u>(5,078,037)</u>
Total Net Position	<u>\$ (3,213,341)</u>	<u>(4,198,934)</u>

Table 2 shows the changes in net position for fiscal year 2018. Revenue and expense comparisons to fiscal year 2017.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 953,384	997,015
Operating Grants and Contributions	813,517	767,287
General Revenues		
Property Taxes	20,573,725	20,234,621
Grants and Entitlements	8,739,355	7,812,472
Other	<u>178,471</u>	<u>186,968</u>
Total Revenues	<u>31,258,452</u>	<u>29,998,363</u>
<u>Program Expenses</u>		
Instruction	11,986,828	12,153,038
Support Services		
Pupils and Instructional Staff	4,584,652	4,355,964
General Administration, School Administration, Business	9,318,348	8,504,535
Operations and Maintenance of Facilities	1,615,633	1,605,136
Pupil Transportation	847,979	816,755
Interest on Debt	456,021	473,980
Unallocated Depreciation	616,371	616,371
Capital Outlay Not Capitalized	164,624	6,800
Special Schools	44,927	76,978
Enterprise	<u>637,476</u>	<u>603,534</u>
Total Expenses	<u>30,272,859</u>	<u>29,213,091</u>
Increase/Decrease in Net Position	<u>\$ 985,593</u>	<u>785,272</u>

Governmental Activities

Property taxes made up 66% percent of revenues for governmental activities for the Kenilworth Public School District for fiscal year 2018. The District's total revenues were \$31,258,452 for the fiscal year ended June 30, 2018. Federal, state and local grants and miscellaneous revenues accounted for another 34%.

Business-Type Activities

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

- Food service revenues exceeded expenses by \$6,903.
- Aftercare expenses exceeded revenues by \$24,852.
- Charges for services represent \$484,936 of revenue. This represents amount paid by patrons for daily services.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities were \$184,295.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

General administration, school administration and business 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 an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

Other includes unallocated depreciation and amortization.

The School Board's Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Kenilworth's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined net position balance of \$(3,213,341). The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

The School Board'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.

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

Capital Assets

At June 30, 2018, the School Board had approximately \$9,453,024 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2018 fiscal year.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Table II		
Capital Assets at June 30, 2018		
Land	\$ 2	
Sites	1,006,126	
Buildings	8,211,100	
Machinery and Equipment	<u>223,196</u>	<u>12,600</u>
Total	<u>\$ 9,440,424</u>	<u>12,600</u>

Debt Administration

At June 30, 2018, the School District had \$16,831,988 as outstanding debt. Of this amount \$1,082,315 is for compensated absences, \$4,799,673 is for pension liability and the balance of \$10,950,000 is for bonds for school construction.

Economic Factors and Next Year's Budget

The Kenilworth Public School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Kenilworth is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District are derived from homeowners through property tax assessments and collections.

The \$(5,505,174) in unrestricted net position for all governmental activities represents the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's noncurrent liabilities such as compensated absences, the School Board would have a balance of \$(5,505,174).

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

In conclusion, the Kenilworth Public School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

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 School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Vincent A. Gonnella, School Business Administrator/Board Secretary at Kenilworth Board of Education, 426 Boulevard, Kenilworth, NJ 07033.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

KENILWORTH SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit A-1

JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ -	186,125	186,125
Receivables, Net	198,570	27,590	226,160
Inventory		6,306	6,306
Restricted Assets:			
Cash and Cash Equivalents	1,346,180		1,346,180
Capital Reserve Account - Cash	2,188,449		2,188,449
Capital Assets not Depreciated	2		2
Capital Assets, Net	9,440,422	12,600	9,453,022
Total Assets	<u>13,173,623</u>	<u>232,621</u>	<u>13,406,244</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>1,509,924</u>		<u>1,509,924</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>1,000,024</u>		<u>1,000,024</u>
<u>Liabilities</u>			
Deferred Revenue	5,236	4,594	9,830
Accounts Payable	69,398	18,000	87,398
Accrued Interest	200,269		200,269
Noncurrent Liabilities:			
Due Within One Year	800,000		800,000
Due Beyond One Year	16,031,988		16,031,988
Total Liabilities	<u>17,106,891</u>	<u>22,594</u>	<u>17,129,485</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	(1,509,576)	12,600	(1,496,976)
Restricted For:			
Other Purposes	3,591,382		3,591,382
Unrestricted	<u>(5,505,174)</u>	<u>197,427</u>	<u>(5,307,747)</u>
Total Net Position	<u>\$ (3,423,368)</u>	<u>210,027</u>	<u>(3,213,341)</u>

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

KENILWORTH SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 7,865,280			(7,865,280)		(7,865,280)
Special Education	2,950,083		533,760	(2,416,323)		(2,416,323)
Other Instruction	1,171,465			(1,171,465)		(1,171,465)
Support Services:						
Tuition	1,918,923	468,448		(1,450,475)		(1,450,475)
Student & Instruction Related Services	2,665,729		95,462	(2,570,267)		(2,570,267)
School Administrative Services	644,210			(644,210)		(644,210)
General and Business Administrative Services	889,916			(889,916)		(889,916)
Technology Information Services	172,608			(172,608)		(172,608)
Plant Operations and Maintenance	1,615,633			(1,615,633)		(1,615,633)
Pupil Transportation	847,979			(847,979)		(847,979)
Unallocated Benefits	7,611,614			(7,611,614)		(7,611,614)
Special Schools	44,927			(44,927)		(44,927)
Capital Outlay	164,624			(164,624)		(164,624)
Interest on Long-Term Debt	456,021			(456,021)		(456,021)
Unallocated Depreciation	616,371			(616,371)		(616,371)
Total Government Activities	<u>29,635,383</u>	<u>468,448</u>	<u>629,222</u>	<u>(28,537,713)</u>	<u>-</u>	<u>(28,537,713)</u>
Business-Type Activities:						
Aftercare Program	182,797	207,649			24,852	24,852
Food Service	454,679	277,287	184,295		6,903	6,903
Total Business-Type Activities	<u>637,476</u>	<u>484,936</u>	<u>184,295</u>	<u>-</u>	<u>31,755</u>	<u>31,755</u>
Total Primary Government	<u>30,272,859</u>	<u>953,384</u>	<u>813,517</u>	<u>(28,537,713)</u>	<u>31,755</u>	<u>(28,505,958)</u>

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

KENILWORTH SCHOOL DISTRICT

Exhibit A-2
Sheet 2 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2018

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	\$ 19,733,356		19,733,356
Taxes Levied for Debt Service	840,369		840,369
Federal and State Aid Not Restricted	8,739,355		8,739,355
Miscellaneous Income	177,812	659	178,471
Total General Revenues	<u>29,490,892</u>	<u>659</u>	<u>29,491,551</u>
 Change in Net Position	953,179	32,414	985,593
 Net Position - Beginning	<u>(4,376,547)</u>	<u>177,613</u>	<u>(4,198,934)</u>
 Net Position - Ending	<u>\$ (3,423,368)</u>	<u>210,027</u>	<u>(3,213,341)</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,483,865	6,561	44,203	3,534,629
Receivables from Other Governments	151,196	47,374		198,570
Total Assets	<u>\$ 3,635,061</u>	<u>53,935</u>	<u>44,203</u>	<u>3,733,199</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 20,699	48,699		69,398
Deferred Revenue		5,236		5,236
Total Liabilities	<u>20,699</u>	<u>53,935</u>	<u>-</u>	<u>74,634</u>
<u>Fund Balance:</u>				
<u>Restricted for:</u>				
Maintenance Reserve	300,001			300,001
Emergency Reserve	85,376			85,376
Capital Reserve Account	2,188,449			2,188,449
<u>Committed To:</u>				
Other Purposes	527,353			527,353
<u>Assigned To:</u>				
Designated by the BOE for Subsequent Year's Expenditures	296,000		44,203	340,203
Designated by the BOE for Subsequent Year's Expenditures-Capital Reserve	150,000			150,000
<u>Unassigned:</u>				
General Fund	67,183			67,183
Total Fund Balances	<u>3,614,362</u>	<u>-</u>	<u>44,203</u>	<u>3,658,565</u>
Total Liabilities and Fund Balance	<u>\$ 3,635,061</u>	<u>53,935</u>	<u>44,203</u>	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,222,371 and the accumulated depreciation is \$11,781,947.	9,440,424
Deferred outflow of resources - contributions to the pension plan	1,509,924
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(1,000,024)
Accrued Interest	(200,269)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	<u>(16,831,988)</u>
Net position of governmental activities	<u>\$ (3,423,368)</u>

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

KENILWORTH SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Local Sources:				
Local Tax Levy	\$ 19,733,356		840,369	20,573,725
Tuition Charges	468,448			468,448
Miscellaneous	158,275	15,064		173,339
Erate	19,537			19,537
Total Local Sources	<u>20,379,616</u>	<u>15,064</u>	<u>840,369</u>	<u>21,235,049</u>
State Sources	8,337,229	110,250	394,126	8,841,605
Federal Sources	8,000	503,908		511,908
Total Revenues	<u>28,724,845</u>	<u>629,222</u>	<u>1,234,495</u>	<u>30,588,562</u>
<u>Expenditures</u>				
Current:				
Regular Instruction	7,944,748			7,944,748
Special Education Instruction	2,416,323	533,760		2,950,083
Other Instruction	1,171,465			1,171,465
Support Services and Undistributed Costs:				
Tuition	1,918,923			1,918,923
Student and Instruction Related Services	2,570,267	95,462		2,665,729
School Administrative Services	644,210			644,210
Other Administrative Services	889,916			889,916
Technology Information Services	172,608			172,608
Plant Operations and Maintenance	1,615,633			1,615,633
Pupil Transportation	847,979			847,979
Unallocated Benefits	7,430,553			7,430,553
Special Schools	44,927			44,927
Capital Outlay	164,624			164,624
Debt Service:				
Principal			770,000	770,000
Interest and Other Charges			470,000	470,000
Total Expenditures	<u>27,832,176</u>	<u>629,222</u>	<u>1,240,000</u>	<u>29,701,398</u>

KENILWORTH SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>892,669</u>	<u>-</u>	<u>(5,505)</u>	<u>887,164</u>
Net Change in Fund Balances	892,669	-	(5,505)	887,164
Fund Balance - July 1	<u>2,721,693</u>	<u>-</u>	<u>49,708</u>	<u>2,771,401</u>
Fund Balance - June 30	<u>\$ 3,614,362</u>	<u>-</u>	<u>44,203</u>	<u>3,658,565</u>

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

KENILWORTH SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESJUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 887,164
Amounts 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	(616,371)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	770,000
In the statement of activities certain operating activities are measured by the amount earned while in the government funds. Expenses are reported in the amount of financial resources used.	
Compensated Absences	79,468
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	(331,015)
Pension related deferrals	(948,424)
Change in net pension liability	1,098,378
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	13,979
Change in Net Position of Governmental Activities	<u>\$ 953,179</u>

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

KENILWORTH SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit B-4

PROPRIETARY FUNDS**JUNE 30, 2018**

	<u>Enterprise Funds</u>
<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 186,125
Accounts Receivable:	
State	195
Federal	6,696
Other	20,699
Inventory	6,306
Total Current Assets	<u>220,021</u>
Noncurrent Assets:	
Equipment	177,050
Accumulated Depreciation	<u>(164,450)</u>
Total Fixed Assets	<u>12,600</u>
Total Assets	<u><u>\$ 232,621</u></u>
<u>Liabilities:</u>	
Accounts Payable	\$ 18,000
Deferred Revenue	<u>4,594</u>
Total Liabilities	<u><u>\$ 22,594</u></u>
<u>Net Position:</u>	
Investment in Capital Assets	\$ 12,600
Unrestricted	<u>197,427</u>
Total Net Position	<u><u>\$ 210,027</u></u>

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

KENILWORTH SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****Exhibit B-5****PROPRIETARY FUNDS****JUNE 30, 2018**

	Enterprise Fund
Operating Revenues:	
Daily Sales - Reimbursable Programs	\$ 225,537
Daily Sales - Non-Reimbursable Programs	51,750
Fees	207,649
Total Operating Revenues	<u>484,936</u>
Operating Expenses:	
Salaries	349,347
Other Employee Benefits	38,359
Cost of Sales - Reimbursable Programs	154,512
Cost of Sales - Non-Reimbursable Programs	36,244
Supplies and Materials	17,124
Management Fee	8,291
Repairs/Equipment	18,306
Depreciation	3,980
Miscellaneous	11,313
Operating Expenses	<u>637,476</u>
Operating Gain/(Loss)	(152,540)
Non-Operating Revenues:	
Interest Revenue	659
State Sources:	
State School Lunch Program	4,579
Federal Sources:	
National School Lunch Program	141,320
Federal HHFKA Lunch Program	5,252
Federal Breakfast Program	8,098
Food Distribution Program	25,046
Total Non-Operating Revenues	<u>184,954</u>
Change in Net Position	32,414
Net Position, July 1	<u>177,613</u>
Net Position, June 30	<u>\$ 210,027</u>

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

KENILWORTH SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****Exhibit B-6****PROPRIETARY FUNDS****JUNE 30, 2018**

	Enterprise Fund
	<hr/>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 484,936
Payments to Employees	(349,347)
Payments to Suppliers	(253,318)
Net Cash Provided (Used) by Operating Activities	<hr/> (117,729) <hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	4,579
Federal Sources	154,670
Net Cash Provided by Noncapital Financing Activities	<hr/> 159,249 <hr/>
Cash Flows from Investing Activities:	
Interest Revenue	659
Net Cash Provided by Investing Activities	<hr/> 659 <hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	42,179
Cash and Cash Equivalents, July 1	<hr/> 143,946 <hr/>
Cash and Cash Equivalents, June 30	<hr/> <u>\$ 186,125</u> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (152,540)
Depreciation	3,980
Federal Commodities Consumed	25,046
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities	
Decrease/(Increase) in Accounts Receivables	1,451
(Decrease)/Increase in Accounts Payable	3,000
(Decrease)/Increase in Deferred Revenue	119
Decrease/(Increase) in Inventory	1,215
Net Cash Provided (Used) by Operating Activities	<hr/> <u>\$ (117,729)</u> <hr/>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
Assets:		
Cash and Cash Equivalents	\$ 477,265	171,517
Total Assets	<u>\$ 477,265</u>	<u>171,517</u>
Net Position:		
Reserved - Scholarships	\$ -	171,517
Reserved - Unemployment Benefits	<u>477,265</u>	
Total Net Position	<u>\$ 477,265</u>	<u>171,517</u>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
<u>Additions</u>		
Contributions:		
Other	\$ 44,521	-
Total Contributions	<u>44,521</u>	<u>-</u>
Investment Earnings:		
Interest	5,177	1,935
Net Investment Earnings	<u>5,177</u>	<u>1,935</u>
Total Additions	<u>49,698</u>	<u>1,935</u>
<u>Deductions</u>		
Unemployment Claims	30,465	
Scholarships Awarded		2,000
Total Deductions	<u>30,465</u>	<u>2,000</u>
Change in Net Position	19,233	(65)
Net Position - Beginning of Year	<u>458,032</u>	<u>171,582</u>
Net Position - End of the Year	<u>\$ 477,265</u>	<u>171,517</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
KENILWORTH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Kenilworth School District (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 more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Kenilworth School District is a Type II district located in the County of Union, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades PreK-12. The Kenilworth School District had an approximate enrollment at June 30, 2018 of 1,410 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government 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

B. Government-Wide Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transaction related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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).

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.

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types (Continued)

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

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 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.

NOTE 1: 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 revenues at fiscal year end.

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

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

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

The District contracted with an outside service company during the 2017 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report was updated to include capital assets purchased during the 2016-2017 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2017, fiscal year 2017 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

The District is currently in the process of obtaining and installing software that will maintain proper capital asset and depreciation records.

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Land	\$ 2	_____	_____	2
Total	<u>2</u>	_____	_____	<u>2</u>
Depreciable Assets:				
Site Improvements	2,835,677	_____	_____	2,835,677
Buildings & Sites	17,103,102	_____	_____	17,103,102
Equipment	<u>1,283,590</u>	_____	_____	<u>1,283,590</u>
Total	<u>21,222,369</u>	_____	_____	<u>21,222,369</u>
Less: Accumulated Depreciation:				
Sites Improvements	(1,716,729)	(112,822)	_____	(1,829,551)
Buildings	(8,427,108)	(464,894)	_____	(8,892,002)
Equipment	<u>(1,021,739)</u>	<u>(38,655)</u>	_____	<u>(1,060,394)</u>
Total Accumulated Depreciation	<u>(11,165,576)</u>	<u>(616,371)</u>	_____	<u>(11,781,947)</u>
Net Depreciable Assets	<u>10,056,793</u>	<u>(616,371)</u>	_____	<u>9,440,422</u>
Governmental Activities Capital Assets (Net)	<u>\$ 10,056,795</u>	<u>(616,371)</u>	_____	<u>9,440,424</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Business-Type Activities:				
Equipment	\$ 177,050			177,050
Less: Accumulated Depreciation:				
Equipment	<u>(160,470)</u>	<u>(3,980)</u>	<u> </u>	<u>(164,450)</u>
Business-Type Capital Assets (Net)	<u>\$ 16,580</u>	<u>(3,980)</u>	<u> </u>	<u>12,600</u>

Depreciation expense was charged to governmental functions as follow:

Unallocated	\$ 591,183
Instructional	2,675
Support/Administration	11,152
Maintenance/Custodial	<u>11,361</u>
	<u>\$ 616,371</u>

J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 10).

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted – Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) if employed to previously commit those amounts.

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Net Position (Continued)

Assigned – The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

Unassigned – The unassigned fund balance classification is the residual classification for 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 positive unassigned fund balance amount. In 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 expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order; committed, assigned, then unassigned.

NOTE 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents for all funds, 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. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. 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.

Investments are stated at cost, which approximates market. The District 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.

Deposits

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

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Deposits (Continued)**

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.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2018, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash
	<u>Equivalents</u>
Checking and Money Market Accounts	<u>\$ 4,824,976</u>

The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$4,824,976 and the bank balance was \$6,151,415. Of the bank balance, \$250,000 was covered by federal depository insurance; \$5,901,415 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Insured:		
FDIC	\$ 250,000	250,000
GUDPA	5,901,415	4,827,923

As of June 30, 2018, the District did not hold any long-term investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u>			<u>Balance</u>	<u>Long-Term</u>	<u>Amount</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Portion</u>	<u>Due</u>
						<u>In one Year</u>
Pension Liability	\$ 5,898,051		(1,098,378)	4,799,673	4,799,673	
Compensated Absences Payable	1,161,783		(79,468)	1,082,315	1,082,315	
Bonds Payable	<u>11,720,000</u>		<u>(770,000)</u>	<u>10,950,000</u>	<u>10,150,000</u>	<u>800,000</u>
	<u>\$ 18,779,834</u>		<u>(1,947,846)</u>	<u>16,831,988</u>	<u>16,031,988</u>	<u>800,000</u>

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 of general obligation bonds.

Refunding Bonds issued September 29, 2003 for \$410,000 for ERIP funding maturing October 1, 2020 with a balance of \$105,000 at June 30, 2018 with a 5.50% interest rate.

NOTE 3: General Long-Term Debt (Continued)**A. Bonds Payable (Continued)**

Bonds issued February 25, 2009 for \$13,900,000 for renovations maturing January 15, 2029 with a balance of \$1,575,000 at June 30, 2018 with interest rates from 3.00% to 4.00%

Refunding Bonds issued May 18, 2016 for \$9,395,000 to partially refund the February 25, 2009 maturing January 15, 2029 with a balance of \$9,270,000 at June 30, 2018 with interest rates ranging from 3.00% to 4.00%.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 800,000	438,613	1,238,613
2020	845,000	406,087	1,251,087
2021	840,000	371,763	1,211,763
2022	905,000	338,600	1,243,600
2023	950,000	302,400	1,252,400
2024-2028	5,395,000	908,000	6,303,000
2029	<u>1,215,000</u>	<u>48,600</u>	<u>1,263,600</u>
	<u>\$ 10,950,000</u>	<u>2,814,063</u>	<u>13,764,063</u>

NOTE 4: 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 Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO 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 non-contributing 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.

NOTE 4: Pension Plans (Continued)

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:6C 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 1/60 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). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision 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 contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

NOTE 4: Pension Plans (Continued)

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2018, the State of New Jersey contributed \$2,732,369 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$845,839 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. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for PERS

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/18	\$ 193,023	100%	0
6/30/17	177,657	100%	\$ 0
6/30/16	170,656	100%	\$ 0

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

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/18	\$ 2,732,369	100%	0
6/30/17	2,110,704	100%	0
6/30/16	1,817,858	100%	0

NOTE 4: Pension Plans (Continued)**Pension Expense Deferred Outflows/Inflows – PERS****Plan Description**

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

The following represents the membership tiers for PERS:

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

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

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

NOTE 4: Pension Plans (Continued)**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amount by employer. The allocation percentages for each group of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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

NOTE 4: Pension Plans (Continued)**Allocation Methodology and Reconciliation to Financial Statements (Continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$193,023. 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>
Difference Between Expected and Actual Experience	\$ 113,016	
Changes of Assumptions	966,969	963,424
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,683	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	204,233	36,600
District Contributions Subsequent to the Measurement Date	<u>193,023</u>	<u> </u>
Total	<u>\$ 1,509,924</u>	<u>1,000,024</u>

\$1,509,924 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project 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:

Additional Information

Collective balances at December 31, 2017 and 2016 are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective Deferred Outflows of Resources	\$ 1,509,924	1,840,939
Collective Deferred Inflows of Resources	1,000,024	51,600
Collective Net Pension Liability	4,799,673	5,898,051
District's Proportion	.02062%	.01991%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2017 were as follows:

	2017		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 32,535,896,852	44,852,367,051	77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$ 25,645,622,797</u>	<u>23,278,401,588</u>	<u>48,924,024,385</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	21.18%	48.10%	36.78%

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	2016		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

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%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability (Continued)**

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement 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 (setback 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 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real 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 Estate	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%

NOTE 4: Pension Plans (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 Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>2017</u>		
	<u>At 1% Decrease (4.00%)</u>	<u>At Current Discount Rate (5.00%)</u>	<u>At 1% Increase (6.00%)</u>
State	\$ 29,818,581,732	25,645,622,797	22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
Total	<u>\$ 58,697,018,759</u>	<u>48,924,024,385</u>	<u>40,792,456,582</u>
	<u>2016</u>		
	<u>At 1% Decrease (3.90%)</u>	<u>At Current Discount Rate (4.90%)</u>	<u>At 1% Increase (5.90%)</u>
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>

NOTE 4: Pension Plans (Continued)**Teachers Pensions and Annuity Fund (TPAF)****Plan Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contribution, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

The following represents the membership tiers for TPAF:

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

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

Basis of Presentation

The Schedule of employers and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

NOTE 4: Pension Plans (Continued)**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation had modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

Components of Net Pension Liability

The components of the net pension liability of the State as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 90,726,371,000	101,746,770,000
Plan Fiduciary Net Position	<u>23,056,161,829</u>	<u>22,717,862,967</u>
Net Pension Liability	<u>\$ 67,670,209,171</u>	<u>79,028,907,033</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%

NOTE 4: Pension Plans (Continued)**State Proportionate Share of Net Pension Liability Attributable to District**

	<u>2017</u>	<u>2016</u>
District's Liability	<u>\$ 68,893,455</u>	<u>81,531,403</u>
District's Proportion	.10181%	.10317%

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%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvements 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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:

NOTE 4: Pension Plans (Continued)

<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 Estate	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 Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2017 (3.25%, 4.25%, 5.25%)	\$ 80,394,331,171	67,670,209,171	57,188,022,171
2016 (2.22%, 3.22%, 4.22%)	94,378,176,033	79,028,907,033	66,494,248,033

NOTE 5: Post-Retirement Benefits**General Information about the OPEB Plan****Plan description and benefits provided**

P.O. 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 GASBS No. 75.

Employees covered by benefit terms. At June 30, 2017, 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 GASBS 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.

NOTE 5: Post-Retirement Benefits (Continued)

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</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. Postretirement 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, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS 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.

NOTE 5: Post-Retirement Benefits (Continued)

Changes in the Total OPEB Liability reported by the State of New Jersey.

	Total OPEB Liability
Balance at 6/30/2016 Measurement Date	\$ 57,831,784,184
Changes for the Year:	
Service Cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Change of Assumptions	(7,086,599,129)
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Gross Benefit Payments	(1,242,412,566)
Contributions from the Member	<u>45,748,749</u>
Balance at 6/30/2017 Measurement Date	<u>\$ 53,639,841,858</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	53,639,841,858	45,680,364,453

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ 44,113,584,560	53,639,841,858	66,290,599,457

OPEB Expenses 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 \$2,960,395 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 GASBS No. 75 and in which there is a special funding situation.

NOTE 7: Capital Reserve Account

A capital reserve account was established by the Borough of Kenilworth Board of Education by inclusion of \$1 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2017	\$ 1,776,020
Interest Earned	562,428
Year End Deposit by Board Resolution	<u>1</u>
Ending Balance, June 30, 2018	<u>\$ 2,338,449</u>

The District has appropriated \$150,000 in the 2018-2019 Budget.

NOTE 8: Inventory

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food	\$ 5,020
Supplies	<u>1,286</u>
	<u>\$ 6,306</u>

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.

NOTE 9: Fund Balance Appropriated

General Fund – Of the \$4,077,617 General Fund fund balance at June 30, 2018, \$527,353 is reserved for encumbrances; \$2,188,449 has been placed in the capital reserve; \$85,376 is in emergency reserve; \$300,001 is in maintenance reserve; \$150,000 is designated for subsequent year's expenditures capital reserve; and \$530,438 is unreserved and undesignated.

NOTE 10: Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, 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.

NOTE 11: Equity Balance**2% Calculation of Excess Surplus**

2017-18 Total General Fund Expenditures Per the CAFR	\$ 27,832,176
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(3,578,208)</u>
Adjusted 2017-18 General Fund Expenditures	<u>\$ 24,253,968</u>
2% of Adjusted 2017-18 General Fund Expenditures	\$ 485,079
Increased by Allowable Adjustments	<u>45,359</u>
Maximum Unassigned Fund Balance	<u>\$ 530,438</u>
 <u>Section 2</u>	
Total General Fund – Fund Balance @ 6-30-18	\$ 4,077,617
Decreased by:	
Reserved for Encumbrances	(527,353)
Other Reserves	(2,573,826)
Designated for Subsequent Years Expenditures – Capital Reserve	(150,000)
Designated for Subsequent Years Expenditures	<u>(296,000)</u>
Total Unassigned Fund Balance	<u>\$ 530,438</u>
Designated for Subsequent Years Expenditures – Excess Surplus	\$ 0
Reserved Fund Balance – Excess Surplus	<u>0</u>
	<u>\$ 0</u>
 <u>Section 3</u>	
<u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	<u>\$ 45,359</u>
 <u>Detail of Other Reserved Fund Balance</u>	
Capital Reserve	\$ 2,188,449
Maintenance Reserve	300,001
Emergency Reserve	<u>85,376</u>
	<u>\$ 2,573,826</u>

NOTE 11: Equity Balance (Continued)

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget. Designated for subsequent year's represents the amount appropriated in the 2018-2019 budget.

Unrestricted is surplus not previously committed or reserved for any other purpose.

NOTE 12: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 13: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2018 financial statements.

NOTE 14: Economic Dependency

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

NOTE 15: 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 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>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2017-2018	\$ 0	49,698	30,465	477,265
2016-2017	0	41,247	33,802	458,032
2015-2016	0	63,643	48,348	450,587

NOTE 16: General Fund Emergency Reserve Account

The reserve account is to be used to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonable unforeseeable. The emergency reserve balance may not exceed \$250,000 or 1% of the District's general fund budget up to a maximum of \$100,000 whichever is greater. Withdrawals require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health costs greater than four percent. Kenilworth maintained an emergency reserve on June 30, 2018 of \$85,376.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 19,733,356		19,733,356	19,733,356	-
Tuition	378,271		378,271	468,448	90,177
Miscellaneous	159,251		159,251	158,275	(976)
Erate				19,537	19,537
Total Local Sources	<u>20,270,878</u>	<u>-</u>	<u>20,270,878</u>	<u>20,379,616</u>	<u>108,738</u>
State Sources:					
School Choice Aid	2,125,960		2,125,960	2,125,960	-
Special Education Aid	821,279		821,279	821,279	-
Extraordinary Aid	64,000		64,000	109,359	45,359
Equalization Aid	1,243,266		1,243,266	1,482,580	239,314
Security Aid	43,234		43,234	43,234	-
Transportation Aid	33,288		33,288	33,288	-
Under Adequacy Aid	46,156		46,156	46,156	-
Additional Adjustment Aid	80,478		80,478	80,478	-
PARCC Readiness Aid	14,180		14,180	14,180	-
Per Pupil Growth Aid	14,180		14,180	14,180	-
Professional Learning Community Aid	13,660		13,660	13,660	-
TPAF Pension Contribution (On-Behalf)			-	2,732,369	2,732,369
TPAF Social Security Contribution (Reimbursed)			-	845,839	845,839
Total State Sources	<u>4,499,681</u>	<u>-</u>	<u>4,499,681</u>	<u>8,362,562</u>	<u>3,862,881</u>
Federal Sources:					
Medical Assistance Program (Semi)	21,227		21,227	8,000	(13,227)
Total Revenues	<u>24,791,786</u>	<u>-</u>	<u>24,791,786</u>	<u>28,750,178</u>	<u>3,958,392</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Distributed Expenditures:					
Regular Programs - Instruction:					
Pre-Kindergarten - Salaries of Teachers	70,297	31,043	101,340	98,388	2,952
Kindergarten - Salaries of Teachers	358,125	(35,006)	323,119	313,785	9,334
Grades 1-5 - Salaries of Teachers	2,328,758	(26,757)	2,302,001	2,234,952	67,049
Grades 6-8 - Salaries of Teachers	1,879,975	35,625	1,915,600	1,859,797	55,803
Grades 9-12 - Salaries of Teachers	2,569,787	(149,497)	2,420,290	2,349,796	70,494
Subtotal	<u>7,206,942</u>	<u>(144,592)</u>	<u>7,062,350</u>	<u>6,856,718</u>	<u>205,632</u>
Regular Programs - Other:					
Salaries of Teachers	12,000	357,217	369,217	366,241	2,976
Subtotal	<u>7,218,942</u>	<u>212,625</u>	<u>7,431,567</u>	<u>7,222,959</u>	<u>208,608</u>
Regular Programs - Undistributed Instruction:					
Other Instructional Salaries	364,449	(124,877)	239,572	236,455	3,117
Purchased Professional Educational Services	83,633	(6,939)	76,694	76,694	-
Other Purchased Services	27,032	(4,160)	22,872	22,871	1
General Supplies	349,915	26,922	376,837	347,501	29,336
Textbooks	47,735	(11,181)	36,554	36,437	117
Other Objects	1,917		1,917	1,831	86
Subtotal	<u>874,681</u>	<u>(120,235)</u>	<u>754,446</u>	<u>721,789</u>	<u>32,657</u>
Total Regular Programs - Instruction	<u>8,093,623</u>	<u>92,390</u>	<u>8,186,013</u>	<u>7,944,748</u>	<u>241,265</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 3 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Special Education Instruction:					
Learning & Language Disabilities:					
Salaries of Teachers	156,326	(17,591)	138,735	134,694	4,041
Other Salaries for Instruction	78,956	25,141	104,097	101,064	3,033
General Supplies	1,583		1,583	1,516	67
Total Learning and Language Disabilities	<u>236,865</u>	<u>7,550</u>	<u>244,415</u>	<u>237,274</u>	<u>7,141</u>
Multiple Disabilities					
Salaries of Teachers			-		-
Other Salaries for Instruction	21,932	961	22,893	22,226	667
General Supplies	2,168		2,168	2,029	139
Total Multiple Disabilities	<u>24,100</u>	<u>961</u>	<u>25,061</u>	<u>24,255</u>	<u>806</u>
Resource Room/Center:					
Salaries of Teachers	1,689,388	9,232	1,698,620	1,649,146	49,474
Other Salaries for Instruction	292,795	86,191	378,986	367,713	11,273
General Supplies	7,782		7,782	7,010	772
Total Resource Room/Center	<u>1,989,965</u>	<u>95,423</u>	<u>2,085,388</u>	<u>2,023,869</u>	<u>61,519</u>
Pre-School Disabilities - Part-Time					
Salaries of Teachers	74,136	434	74,570	72,398	2,172
Other Salaries for Instruction	130,496	(70,696)	59,800	58,058	1,742
General Supplies	523		523	469	54
Total Pre-School Handicapped	<u>205,155</u>	<u>(70,262)</u>	<u>134,893</u>	<u>130,925</u>	<u>3,968</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 4 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Special Education - Instruction	<u>2,456,085</u>	<u>33,672</u>	<u>2,489,757</u>	<u>2,416,323</u>	<u>73,434</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	473,791	22,099	495,890	461,890	34,000
General Supplies	<u>3,587</u>	<u>(213)</u>	<u>3,374</u>	<u>2,549</u>	<u>825</u>
Total Basic Skills/Remedial - Instruction	<u>477,378</u>	<u>21,886</u>	<u>499,264</u>	<u>464,439</u>	<u>34,825</u>
Bilingual Education - Instruction:					
Salaries of Teachers	136,736	801	137,537	133,531	4,006
General Supplies	<u>939</u>	<u>213</u>	<u>1,152</u>	<u>942</u>	<u>210</u>
Total Bilingual Education - Instruction	<u>137,675</u>	<u>1,014</u>	<u>138,689</u>	<u>134,473</u>	<u>4,216</u>
School Sponsored Co-Curricular Activities - Instruction					
Salaries	197,962	1,710	199,672	199,671	1
Supplies	25,525	(200)	25,325	15,854	9,471
Other Objects	<u>2,315</u>		<u>2,315</u>	<u>929</u>	<u>1,386</u>
Total School Sponsored Co-Curricular Activities	<u>225,802</u>	<u>1,510</u>	<u>227,312</u>	<u>216,454</u>	<u>10,858</u>
School Sponsored Athletics - Instruction					
Salaries	252,769	(6,493)	246,276	246,276	-
Purchased Services	59,992	(7,437)	52,555	48,970	3,585
Supplies and Materials	40,765	7,464	48,229	48,107	122
Other Objects	<u>13,555</u>	<u>(27)</u>	<u>13,528</u>	<u>12,746</u>	<u>782</u>
Total School Sponsored Athletics - Instruction	<u>367,081</u>	<u>(6,493)</u>	<u>360,588</u>	<u>356,099</u>	<u>4,489</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Distributed Expenditures	<u>11,757,644</u>	<u>143,979</u>	<u>11,901,623</u>	<u>11,532,536</u>	<u>369,087</u>
Undistributed Expenditures:					
Instruction:					
Tuition to County Vocational School:					
Regular	533,500	49,785	583,285	527,994	55,291
Special	20,000	18,000	38,000	27,200	10,800
Tuition - County Special Services & Reg Day Schools	291,790	161,419	453,209	449,787	3,422
Tuition to Private School for Handicapped - Within State	1,102,228	(204,809)	897,419	880,990	16,429
Tuition-State Facilities	<u>32,952</u>		<u>32,952</u>	<u>32,952</u>	<u>-</u>
Total Instruction	<u>1,980,470</u>	<u>24,395</u>	<u>2,004,865</u>	<u>1,918,923</u>	<u>85,942</u>
Attendance & Social Work:					
Purchased Technical Services	<u>20,459</u>	<u>2,220</u>	<u>22,679</u>	<u>22,678</u>	<u>1</u>
Total Attendance & Social Work	<u>20,459</u>	<u>2,220</u>	<u>22,679</u>	<u>22,678</u>	<u>1</u>
Health Services:					
Salaries	132,701	(7,261)	125,440	121,786	3,654
Purchased Professional/Technical Services	18,750	421	19,171	19,170	1
Supplies and Materials	<u>3,087</u>	<u>328</u>	<u>3,415</u>	<u>3,326</u>	<u>89</u>
Total Health Services	<u>154,538</u>	<u>(6,512)</u>	<u>148,026</u>	<u>144,282</u>	<u>3,744</u>
Other Student Support Services - Related Services:					
Salaries	395,164	(7,253)	387,911	376,613	11,298
Purchased Professional/Technical Services	41,870	696	42,566	21,361	21,205
Supplies and Materials	<u>3,458</u>	<u>9</u>	<u>3,467</u>	<u>3,466</u>	<u>1</u>
Total Other Student Support Services - Related Services	<u>440,492</u>	<u>(6,548)</u>	<u>433,944</u>	<u>401,440</u>	<u>32,504</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 6 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Student - Regular:					
Salaries of Other Professional Staff	478,137	(28,412)	449,725	436,626	13,099
Salaries of Secretarial & Clerical	53,670	225	53,895	52,413	1,482
Purchased Professional/Educational Services	3,778	1,200	4,978	4,954	24
Other Purchased Professional/Technical Services	43,669	(1,905)	41,764	39,134	2,630
Other Purchased Services	1,933	(1,933)	-	-	-
Supplies and Materials	7,772	2,477	10,249	6,661	3,588
Other Objects	625	(625)	-	-	-
Total Other Support Student - Regular	<u>589,584</u>	<u>(28,973)</u>	<u>560,611</u>	<u>539,788</u>	<u>20,823</u>
Other Support Student Services- Special:					
Salaries of Other Professional Staff	520,130	(24,692)	495,438	481,008	14,430
Salaries of Secretarial & Clerical	48,841	286	49,127	47,696	1,431
Purchased Professional Educational Services	9,675	5,746	15,421	15,421	-
Miscellaneous Purchased Services	4,800	(3,162)	1,638	1,631	7
Supplies and Materials	3,933	1,197	5,130	5,130	-
Total Other Support Student Services- Special	<u>587,379</u>	<u>(20,625)</u>	<u>566,754</u>	<u>550,886</u>	<u>15,868</u>
Improvement Instructional Services:					
Salaries of Supervisors of Instruction	476,664	29,080	505,744	505,743	1
Salaries of Other Professional Staff	10,895	913	11,808	11,808	-
Salaries of Secretarial & Clerical	47,838	(195)	47,643	46,255	1,388
Other Purchased Services	300	135	435	431	4
Supplies & Materials	1,050	(340)	710	709	1
Other Objects	4,615	305	4,920	4,920	-
Total Improvement Instructional Services	<u>541,362</u>	<u>29,898</u>	<u>571,260</u>	<u>569,866</u>	<u>1,394</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media/Library:					
Salaries	145,097	850	145,947	141,696	4,251
Salaries of Technology Coordinators	105,125	(212)	104,913	104,913	-
Other Purchased Services	648		648		648
Supplies & Materials	25,570		25,570	24,359	1,211
Total Educational Media/Library	276,440	638	277,078	270,968	6,110
Staff Training:					
Salaries of Supervisors of Instruction	54,945	(722)	54,223	54,223	-
Other Salaries for Instruction	5,850	(4,292)	1,558	1,558	-
Purchased Professional/Educational Serv.	19,955	(100)	19,855	14,081	5,774
Supplies & Materials	500		500	497	3
Other Objects	35		35		35
Total Staff Training	81,285	(5,114)	76,171	70,359	5,812
Support Services - General Administration:					
Salaries	228,550	45,024	273,574	230,550	43,024
Legal Services	65,000	32,095	97,095	92,717	4,378
Audit Fee	16,000	(500)	15,500	15,500	-
Other Purchased Professional Services	4,840	11,400	16,240	16,239	1
Purchased Technical Services	6,808	(895)	5,913	5,912	1
Communications/Telephone	71,402	(21,660)	49,742	49,741	1
BOE Other Purchased Services	13,495	(2,612)	10,883	10,883	-
Other Purchased Services	140,085	(11,452)	128,633	128,632	1
Supplies & Materials	1,700	(507)	1,193	1,193	-
BOE In House Training Supplies	2,200	771	2,971	2,971	-
Miscellaneous Expenditures	6,316	(1,334)	4,982	4,982	-
BOE Membership Dues and Fees	21,062	(1,219)	19,843	19,843	-
Total Support Services - General Administration	577,458	49,111	626,569	579,163	47,406

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Vice Principals	315,537	(30,673)	284,864	284,863	1
Salaries of Other Professional Staff	201,140	(5,868)	195,272	195,271	1
Salaries of Secretarial & Clerical	168,188	(6,650)	161,538	156,865	4,673
Other Purchased Services	1,421	(1,121)	300		300
Supplies & Materials	5,772	(2,610)	3,162	2,911	251
Other Objects	4,060	240	4,300	4,300	-
Total Support Services - School Administration	<u>696,118</u>	<u>(46,682)</u>	<u>649,436</u>	<u>644,210</u>	<u>5,226</u>
Technology Information Service:					
Salaries	83,621	(128)	83,493	83,492	1
Purchased Professional Services	36,600		36,600	36,600	-
Purchased Technical Services	37,160	(6,513)	30,647	26,431	4,216
Other Purchased Services	9,810	862	10,672	10,671	1
Supplies and Materials	12,750	5,651	18,401	15,414	2,987
Total Technology Information Service	<u>179,941</u>	<u>(128)</u>	<u>179,813</u>	<u>172,608</u>	<u>7,205</u>
Required Maintenance - Facilities:					
Cleaning, Repair & Maintenance Services	163,520	24,538	188,058	187,363	695
General Supplies	35,555	7,261	42,816	42,816	-
Other Objects	1,510	1,693	3,203	3,203	-
Total Allowable Maintenance Facilities	<u>200,585</u>	<u>33,492</u>	<u>234,077</u>	<u>233,382</u>	<u>695</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 9 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Operations & Maintenance:					
Salaries	459,377	(656)	458,721	445,802	12,919
Purchased Professional/Technical Serv.	5,000	40,530	45,530	38,522	7,008
Cleaning, Repair & Maintenance Services	346,450	12,955	359,405	357,969	1,436
Other Purchased Property Services	35,800	12,623	48,423	48,423	-
Insurance	57,640	(864)	56,776	56,776	-
General Supplies	32,250	4,356	36,606	36,606	-
Natural Gas	130,142	(26,343)	103,799	96,510	7,289
Energy (Heat & Electricity)	314,113	(28,390)	285,723	202,329	83,394
Total Other Operations & Maintenance	<u>1,380,772</u>	<u>14,211</u>	<u>1,394,983</u>	<u>1,282,937</u>	<u>112,046</u>
Upkeep of Grounds:					
Salaries	49,342	290	49,632	48,186	1,446
Purchased Professional/Technical Serv.	20,500	167	20,667	20,667	-
Repair and Maintenance	6,000	4,449	10,449	10,448	1
Supplies	21,500	(2,142)	19,358	19,358	-
Total Upkeep of Grounds	<u>97,342</u>	<u>2,764</u>	<u>100,106</u>	<u>98,659</u>	<u>1,447</u>
Security					
Supplies and Materials		5,272	5,272	655	4,617
Total Operations & Maintenance	<u>1,678,699</u>	<u>55,739</u>	<u>1,734,438</u>	<u>1,615,633</u>	<u>118,805</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 10 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation:					
Contracted Services Other - Vendors	66,600		66,600	60,828	5,772
Contracted Services Special Ed. Joint Agreement	695,752	(35,050)	660,702	657,657	3,045
Contracted Services(Reg.Students) ESCs & CTSAAs	91,500	47,050	138,550	129,494	9,056
Total Student Transportation	<u>853,852</u>	<u>12,000</u>	<u>865,852</u>	<u>847,979</u>	<u>17,873</u>
Central Services:					
Salaries	288,319	1	288,320	288,320	-
Purchased Technical Services	20,254		20,254	15,850	4,404
Supplies & Materials	5,000		5,000	3,714	1,286
Miscellaneous Expenditures	2,973		2,973	2,869	104
Total Central Services	<u>316,546</u>	<u>1</u>	<u>316,547</u>	<u>310,753</u>	<u>5,794</u>
Undistributed Expenditures-Employee Benefits:					
Other Retirement Contrib. - Social Security	253,653	15,985	269,638	269,637	1
Other Retirement Contrib. - PERS	197,845	(4,822)	193,023	193,023	-
Other Retirement Contrib. - ERIP	15,000	1,486	16,486	16,485	1
Workman's Compensation	94,921	365	95,286	95,285	1
Health Benefits	3,304,363	(64,446)	3,239,917	2,991,615	248,302
Tuition Reimbursements	68,500	(499)	68,001	68,000	1
Other Employee Benefits	228,153	368	228,521	218,300	10,221
Total Unallocated Benefits	<u>4,162,435</u>	<u>(51,563)</u>	<u>4,110,872</u>	<u>3,852,345</u>	<u>258,527</u>
TPAF Pension Contribution (On-Behalf)			-	2,732,369	(2,732,369)
TPAF Social Security Contribution (Reimbursed)			-	845,839	(845,839)
Total Undistributed Expenditures	<u>13,137,058</u>	<u>7,857</u>	<u>13,144,915</u>	<u>16,090,089</u>	<u>(2,945,174)</u>
Total General Current Expense	<u>24,894,702</u>	<u>151,836</u>	<u>25,046,538</u>	<u>27,622,625</u>	<u>(2,576,087)</u>

KENILWORTH SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

**Exhibit C-1
Sheet 11 of 12**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay					
Facility Construction Services	50,000	(16,341)	33,659		33,659
Professional Services-Facility Construction	25,000		25,000		25,000
Equipment-Operation of Plant	<u>175,000</u>	<u>16,341</u>	<u>191,341</u>	<u>164,624</u>	<u>26,717</u>
Total Capital Outlay	<u>200,000</u>	<u>-</u>	<u>250,000</u>	<u>164,624</u>	<u>85,376</u>
 Summer School					
Instruction:					
Salaries of Teachers	<u>52,428</u>		<u>52,428</u>	<u>42,287</u>	<u>10,141</u>
Total Instruction	<u>52,428</u>		<u>52,428</u>	<u>42,287</u>	<u>10,141</u>
 Support Services:					
Salaries	<u>3,570</u>		<u>3,570</u>	<u>2,640</u>	<u>930</u>
Total Support Services	<u>3,570</u>	<u>-</u>	<u>3,570</u>	<u>2,640</u>	<u>930</u>
Total Summer School	<u>55,998</u>	<u>-</u>	<u>55,998</u>	<u>44,927</u>	<u>11,071</u>
Total Current Expense & Summer School	<u>25,150,700</u>	<u>151,836</u>	<u>25,352,536</u>	<u>27,832,176</u>	<u>(2,479,640)</u>
Excess (Deficiency) of Revenues Over/(Under)					
Expenditures	(358,914)	(151,836)	(560,750)	918,002	1,478,752
Fund Balance July 1	<u>3,159,615</u>		<u>3,159,615</u>	<u>3,159,615</u>	
Fund Balance June 30	<u>\$ 2,800,701</u>	<u>(151,836)</u>	<u>2,598,865</u>	<u>4,077,617</u>	<u>1,478,752</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 12 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve-Designated for Subsequent Year's Expenditures				\$ 150,000	
Capital Reserve				2,188,449	
Maintenance Reserve				300,001	
Emergency Reserve				85,376	
Committed Fund Balance:					
Year End Encumbrances				527,353	
Assigned Fund Balances:					
Designated for Subsequent Year's Expenditures				296,000	
Unassigned Fund Balance				<u>530,438</u>	
				4,077,617	
Reconciliation to Governmental Funds Statement (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(463,255)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 3,614,362</u>	

KENILWORTH SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
State Sources	\$ 158,949		158,949	110,250	48,699
Local Sources	20,300		20,300	15,064	5,236
Federal Sources	524,764		524,764	503,908	20,856
Total Revenues	<u>\$ 704,013</u>	<u>-</u>	<u>704,013</u>	<u>629,222</u>	<u>74,791</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 86,383		86,383	86,383	
Purchased Professional and Technical Services	136,216		136,216	87,531	48,685
Tuition	290,846		290,846	290,846	
General Supplies	64,609		64,609	59,373	5,236
Textbooks	9,641		9,641	9,627	14
Total Instruction	<u>587,695</u>	<u>-</u>	<u>587,695</u>	<u>533,760</u>	<u>53,935</u>
Support Services:					
Salaries	9,000		9,000	9,000	
Personal Services - Employee Benefits	10,792		10,792	10,792	
Purchased Professional - Educational Services	80,449		80,449	59,593	20,856
Other Purchased Services	13,092		13,092	13,092	
General Supplies	2,985		2,985	2,985	
Total Support Services	<u>116,318</u>	<u>-</u>	<u>116,318</u>	<u>95,462</u>	<u>20,856</u>
Total Expenditures	<u>\$ 704,013</u>	<u>-</u>	<u>704,013</u>	<u>629,222</u>	<u>74,791</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KENILWORTH SCHOOL DISTRICTREQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BUDGETARY COMPARISON SCHEDULENOTE TO RSIFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 28,750,178	629,222
Difference - budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	437,922	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(463,255)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 28,724,845</u>	<u>629,222</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 27,832,176	629,222
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total Expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 27,832,176</u>	<u>629,222</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

KENILWORTH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

Exhibit L-1

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,799,673	5,898,051	4,456,012	3,572,190	3,743,058
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,799,673</u>	<u>5,898,051</u>	<u>4,456,012</u>	<u>3,572,190</u>	<u>3,743,058</u>
District's Covered-Employee Payroll	\$ 1,481,276	1,386,691	1,336,534	1,359,347	1,374,199
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	30.86%	23.51%	29.99%	38.05%	36.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.78%	31.20%	38.21%	42.74%	40.71%

KENILWORTH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

Exhibit L-2

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 177,657	157,288	157,288	147,567	148,462
Contributions in Relation to the Contractually Required Contribution	<u>177,657</u>	<u>157,288</u>	<u>157,288</u>	<u>147,567</u>	<u>148,462</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 1,481,276	1,386,691	1,336,534	1,359,347	1,374,199
Contributions as a Percentage of Covered-Employee Payroll	11.99%	11.34%	11.77%	10.86%	10.80%

KENILWORTH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

Exhibit L-3

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%
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>68,893,455</u>	<u>81,531,403</u>	<u>62,823,200</u>	<u>52,744,337</u>	<u>49,602,149</u>
Total	<u>\$ 68,893,455</u>	<u>81,531,403</u>	<u>62,823,200</u>	<u>52,744,337</u>	<u>49,602,149</u>
District's Covered-Employee Payroll	\$ 11,928,717	11,369,178	10,333,060	9,966,336	9,779,748
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	17.31%	13.94%	16.45%	18.90%	19.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR OPEB (GASB 75) - M**

KENILWORTH SCHOOL DISTRICTSCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOSLAST TWO FISCAL YEARS

Exhibit M-1

	<u>2017</u>	<u>2016</u>
<u>State of New Jersey's Total OPEB Liability</u>		
Service Cost	\$ 2,391,878,884	1,723,999,319
Interest	1,699,441,736	1,823,643,792
Benefit Payments	(1,242,412,566)	(1,223,298,019)
Member Contributions	45,748,749	46,273,747
Change of Assumptions	(7,086,599,129)	8,611,513,521
Net Change in Total OPEB Liability	<u>(4,191,942,326)</u>	<u>10,982,132,360</u>
Total OPEB Liability - Beginning	<u>57,831,784,184</u>	<u>46,849,651,824</u>
Total OPEB Liability - Ending	<u>\$ 53,639,841,858</u>	<u>57,831,784,184</u>
<u>State's OPEB Liability Attributable to the District</u>		
Service Cost	\$ 2,223,210	*
Interest	1,304,585	*
Benefit Payments	(947,192)	*
Member Contributions	34,878	*
Change of Assumptions	(5,726,145)	*
Net Change in Total OPEB Liability	<u>(3,110,664)</u>	<u>*</u>
Total Attributable OPEB Liability - Beginning	<u>44,004,651</u>	<u>*</u>
Total Attributable OPEB Liability - Ending	<u>\$ 40,893,987</u>	<u>44,004,651</u>
District's Proportionate Share of Total OPEB Liability	Zero	Zero
District's Covered Payroll	\$ 13,409,993	12,755,869
District's Proportionate Share of OPEB Liability as a Percentage of its Covered-Employee Payroll	0.00%	0.00%
District's Contribution	None	None
State Covered Employee Payroll (6/30/16 Census Data)	\$ 13,493,400,208	13,493,400,208
Total State OPEB Liability as a Percentage of its Covered-Employee Payroll	397.53%	428.59%

* - Information not available

Source: GASB 75 report on State of New Jersey Health Benefits Program; District Records.

Note: This schedule is required by GASB 75 to show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

SPECIAL REVENUE FUND – E

KENILWORTH SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Title I</u>	<u>Title IIA</u>	<u>Title III</u>	<u>Title IV</u>	<u>I.D.E.A. Basic Flow-Thru</u>	<u>I.D.E.A. Pre-School</u>
Revenues:						
State Sources	\$ -					
Federal Sources	141,251	26,254	13,119	10,000	303,624	9,660
Local Sources						
Total Revenues	<u>\$ 141,251</u>	<u>26,254</u>	<u>13,119</u>	<u>10,000</u>	<u>303,624</u>	<u>9,660</u>
Expenditures:						
Instruction:						
Salaries of Teachers	\$ 77,910		8,473			
Purchased Professional and Technical Services						
Tuition					281,186	9,660
General Supplies	39,816		3,876	3,217		
Textbooks						
Total Instruction	<u>117,726</u>	<u>-</u>	<u>12,349</u>	<u>3,217</u>	<u>281,186</u>	<u>9,660</u>
Support Services:						
Salaries	7,000					
Employee Benefits	10,792					
Purchased Professional Educational Services	5,733	23,269	770	6,783	22,438	
Other Purchased Services						
General Supplies		2,985				
Total Support Services	<u>23,525</u>	<u>26,254</u>	<u>770</u>	<u>6,783</u>	<u>22,438</u>	<u>-</u>
Total Expenditures	<u>\$ 141,251</u>	<u>26,254</u>	<u>13,119</u>	<u>10,000</u>	<u>303,624</u>	<u>9,660</u>

KENILWORTH SCHOOL DISTRICT

Exhibit E-1
Sheet 2 of 3

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Compensatory Education</u>	<u>Transportation</u>	<u>Supplementary Instruction</u>	<u>Examination and Classification</u>	<u>Corrective Speech</u>
Revenues:					
State Sources	32,247	7,499	11,419	12,195	2,857
Federal Sources					
Local Sources					
Total Revenues	<u>32,247</u>	<u>7,499</u>	<u>11,419</u>	<u>12,195</u>	<u>2,857</u>
Expenditures:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services	32,247	7,499	11,419	12,195	2,857
Tuition					
General Supplies					
Textbooks					
Total Instruction	<u>32,247</u>	<u>7,499</u>	<u>11,419</u>	<u>12,195</u>	<u>2,857</u>
Support Services:					
Salaries					
Employee Benefits					
Purchased Professional Educational Services					
Other Purchased Services					
General Supplies					
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>32,247</u>	<u>7,499</u>	<u>11,419</u>	<u>12,195</u>	<u>2,857</u>

KENILWORTH SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Non-Public Security</u>	<u>Non-Public Technology</u>	<u>Non-Public Nursing Services</u>	<u>Non-Public Textbooks</u>	<u>Insurance Grant</u>	<u>Atlantic Health Grant</u>	<u>Total 2018</u>
Revenues:							
State Sources	13,092	6,200	15,114	9,627			110,250
Federal Sources							503,908
Local Sources					10,300	4,764	15,064
Total Revenues	<u>13,092</u>	<u>6,200</u>	<u>15,114</u>	<u>9,627</u>	<u>10,300</u>	<u>4,764</u>	<u>629,222</u>
Expenditures:							
Instruction:							
Salaries of Teachers							86,383
Purchased Professional and Technical Services		6,200	15,114				87,531
Tuition							290,846
General Supplies					10,300	2,164	59,373
Textbooks				9,627			9,627
Total Instruction	<u>-</u>	<u>6,200</u>	<u>15,114</u>	<u>9,627</u>	<u>10,300</u>	<u>2,164</u>	<u>533,760</u>
Support Services:							
Salaries						2,000	9,000
Employee Benefits							10,792
Purchased Professional Educational Services						600	59,593
Other Purchased Services	13,092						13,092
General Supplies							2,985
Total Support Services	<u>13,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>	<u>95,462</u>
Total Expenditures	<u>13,092</u>	<u>6,200</u>	<u>15,114</u>	<u>9,627</u>	<u>10,300</u>	<u>4,764</u>	<u>629,222</u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

KENILWORTH SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit G-1

ENTERPRISE FUNDS**JUNE 30, 2018**

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
<u>Assets:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 129,989	56,136	186,125
Accounts Receivable:			
State	195		195
Federal	6,696		6,696
Other	20,699		20,699
Inventory	6,306		6,306
Total Current Assets	<u>163,885</u>	<u>56,136</u>	<u>220,021</u>
Noncurrent Assets			
Equipment	177,050		177,050
Accumulated Depreciation	<u>(164,450)</u>		<u>(164,450)</u>
Total Fixed Assets	<u>12,600</u>	<u>-</u>	<u>12,600</u>
Total Assets	<u>\$ 176,485</u>	<u>56,136</u>	<u>232,621</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 18,000		18,000
Deferred Revenue	<u>4,594</u>		<u>4,594</u>
Total Liabilities	<u>\$ 22,594</u>	<u>-</u>	<u>22,594</u>
<u>Net Position:</u>			
Investment in Capital Assets	\$ 12,600		12,600
Unrestricted	<u>141,291</u>	<u>56,136</u>	<u>197,427</u>
Total Net Position	<u>\$ 153,891</u>	<u>56,136</u>	<u>210,027</u>

KENILWORTH SCHOOL DISTRICTSCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Exhibit G-2

ENTERPRISE FUNDSJUNE 30, 2018

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
Operating Revenues:			
Daily Sales - Reimbursable Programs	\$ 225,537		225,537
Daily Sales - Non-Reimbursable Programs	51,750		51,750
Fees		207,649	207,649
Total Operating Revenues	<u>277,287</u>	<u>207,649</u>	<u>484,936</u>
Operating Expenses:			
Salaries	168,601	180,746	349,347
Other Employee Benefits	38,359		38,359
Cost of Sales - Reimbursable Programs	154,512		154,512
Cost of Sales - Non-Reimbursable Programs	36,244		36,244
Supplies and Materials	15,073	2,051	17,124
Management Fee	8,291		8,291
Repairs/Equipment	18,306		18,306
Depreciation	3,980		3,980
Miscellaneous	11,313		11,313
Operating Expenses	<u>454,679</u>	<u>182,797</u>	<u>637,476</u>
Operating Gain/(Loss)	(177,392)	24,852	(152,540)
Non-Operating Revenues:			
Interest Revenue		659	659
State Sources:			
State School Lunch Program	4,579		4,579
Federal Sources:			
National School Lunch Program	141,320		141,320
Federal HHFKA Program	5,252		5,252
Federal Breakfast Program	8,098		8,098
Food Distribution Program	25,046		25,046
Total Non-Operating Revenues	<u>184,295</u>	<u>659</u>	<u>184,954</u>
Change in Net Position	6,903	25,511	32,414
Net Position, July 1	<u>146,988</u>	<u>30,625</u>	<u>177,613</u>
Net Position, June 30	<u>\$ 153,891</u>	<u>56,136</u>	<u>210,027</u>

KENILWORTH SCHOOL DISTRICTSCHEDULE OF CASH FLOWS

Exhibit G-3

ENTERPRISE FUNDSJUNE 30, 2018

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 277,287	207,649	484,936
Payments to Employees	(168,601)	(180,746)	(349,347)
Payments to Suppliers	(251,267)	(2,051)	(253,318)
Net Cash Provided (Used) by Operating Activities	<u>(142,581)</u>	<u>24,852</u>	<u>(117,729)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	4,579		4,579
Federal Sources	154,670		154,670
Net Cash Provided by Noncapital Financing Activities	<u>159,249</u>	<u>-</u>	<u>159,249</u>
Cash Flows from Investing Activities:			
Interest Revenue		659	659
Net Cash Provided by Investing Activities	<u>-</u>	<u>659</u>	<u>659</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,668	25,511	42,179
Cash and Cash Equivalents, July 1	<u>113,321</u>	<u>30,625</u>	<u>143,946</u>
Cash and Cash Equivalents, June 30	<u>\$ 129,989</u>	<u>56,136</u>	<u>186,125</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (177,392)	24,852	(152,540)
Depreciation	3,980		3,980
Federal Commodities Consumed	25,046		25,046
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities			
Decrease/(Increase) in Inventory	1,451		1,451
(Decrease)/Increase in Accounts Payable	3,000		3,000
(Decrease)/Increase in Deferred Revenue	119		119
Decrease/(Increase) in Accounts Receivable	<u>1,215</u>		<u>1,215</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (142,581)</u>	<u>24,852</u>	<u>(117,729)</u>

FIDUCIARY FUND – H

KENILWORTH SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>Agency Student Activity</u>	<u>Scholarship Fund Non-Expendable Trust Fund</u>	<u>Unemployment Compensation Expendable Trust Fund</u>	<u>Summer Payroll</u>	<u>Total</u>
Assets:					
Cash and Cash Equivalents	\$ 87,714	171,517	477,265	366,566	1,103,062
Total Assets	<u>\$ 87,714</u>	<u>171,517</u>	<u>477,265</u>	<u>366,566</u>	<u>1,103,062</u>
Liabilities:					
Due to Student Groups	\$ 87,714				87,714
Total Liabilities	<u>\$ 87,714</u>				<u>87,714</u>
Net Position:					
Due to Employees				366,566	366,566
Reserved - Scholarships		171,517			171,517
Reserved - Unemployment Benefits			477,265		477,265
Total Net Position		<u>\$ 171,517</u>	<u>477,265</u>	<u>366,566</u>	<u>1,015,348</u>

KENILWORTH SCHOOL DISTRICT

Exhibit H-2

SCHOLARSHIP NONEXPENDABLE TRUST FUNDSTATEMENT OF CHANGES IN FIDUCIARY NET POSITIONFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Operating Revenue:	
Local Source:	
Interest on Investments	\$ 1,935
Total Operating Revenue	<u>1,935</u>
Operating Expenses:	
Scholarship Payments	<u>2,000</u>
Total Operating Expenses	<u>2,000</u>
Operating Income (Loss)	<u>(65)</u>
Net Position July 1	<u>171,582</u>
Net Position June 30	<u>\$ 171,517</u>

KENILWORTH SCHOOL DISTRICTSTUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTSFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Elementary School</u>				
Harding	\$ 23,287	42,616	45,521	20,382
<u>High School</u>				
David Brearley	72,523	176,528	181,719	67,332
Facility Use Account	-	6,000	6,000	-
Athletic Account	-	30,081	30,081	-
Total High School	<u>72,523</u>	<u>212,609</u>	<u>217,800</u>	<u>67,332</u>
Total All Schools	<u>\$ 95,810</u>	<u>255,225</u>	<u>263,321</u>	<u>87,714</u>

KENILWORTH SCHOOL DISTRICT

PAYROLL AGENCY

Exhibit H-4

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Assets</u>				
Cash and Cash Equivalents	<u>\$ -</u>	<u>8,120,094</u>	<u>8,120,094</u>	<u>-</u>
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	<u>\$ -</u>	<u>8,120,094</u>	<u>8,120,094</u>	<u>-</u>

LONG-TERM DEBT – I

KENILWORTH SCHOOL DISTRICT

LONG-TERM LIABILITIES

Exhibit I-1

SCHEDULE OF SERIAL BONDS

JUNE 30, 2018

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
ERIP Refunding	9/29/2003	\$ 410,000	10/1/2018-20	\$ 35,000	5.50%	\$ 135,000	30,000	105,000
2008 Renovations	2/25/2009	13,900,000	1/15/2019 1/15/2020	765,000 810,000	4.00%	2,315,000	740,000	1,575,000
2016 Refunding Bonds	5/18/2016	9,395,000	1/15/2021 1/15/2022 1/15/2023 1/15/2024 1/15/2025 1/15/2026 1/15/2027 1/15/2028 1/15/2029	805,000 905,000 950,000 990,000 1,035,000 1,080,000 1,125,000 1,165,000 1,215,000	4.00%	9,270,000		9,270,000
						<u>\$ 11,720,000</u>	<u>770,000</u>	<u>10,950,000</u>

KENILWORTH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 840,369		840,369	840,369	
State Sources:					
Debt Service Aid Type II	394,126		394,126	394,126	
Total Revenues	<u>1,234,495</u>	<u>-</u>	<u>1,234,495</u>	<u>1,234,495</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	470,000		470,000	470,000	-
Redemption of Principal	770,000		770,000	770,000	
Total Regular Debt Service	<u>1,240,000</u>	<u>-</u>	<u>1,240,000</u>	<u>1,240,000</u>	<u>-</u>
Total Expenditures	<u>1,240,000</u>	<u>-</u>	<u>1,240,000</u>	<u>1,240,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,505)	-	(5,505)	(5,505)	-
Fund Balance July 1	<u>49,708</u>	<u>-</u>	<u>49,708</u>	<u>49,708</u>	<u>-</u>
Fund Balance June 30	<u>\$ 44,203</u>	<u>-</u>	<u>44,203</u>	<u>44,203</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

Borough of Kenilworth Board of Education
 Net position by Component,
 Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	\$ (13,429,054)	\$ (5,699,765)	\$ (2,216,805)	\$ (1,753,862)	\$ (1,429,497)	\$ (1,544,137)	\$ (2,332,437)	\$ (2,020,379)	\$ (1,663,205)	\$ (1,509,576)
Restricted (Debt Service)	\$ 20,905	\$ 46,967	\$ 51,346	\$ 3	\$ 313	\$ 111	\$ 9	\$ 5,506	\$ 49,708	
Restricted (Capital Projects)	\$ 13,699,782	\$ 8,246,987	\$ 1,717,992	\$ 433,507	\$ 325,878	\$ -	\$ -			
Restricted (Other Purposes)	\$ -	\$ 405,015	\$ 754,507	\$ 1,495,703	\$ 2,073,891	\$ 1,810,255	\$ 2,009,363	\$ 1,649,929	\$ 2,476,020	\$ 3,591,382
Unrestricted	\$ (1,166,298)	\$ (1,208,665)	\$ 284,261	\$ (598,399)	\$ (1,206,178)	\$ (875,997)	\$ (4,404,932)	\$ (4,776,914)	\$ (5,239,070)	\$ (5,505,174)
Total governmental activities net position	\$ (874,665)	\$ 1,790,539	\$ 591,301	\$ (423,048)	\$ (235,593)	\$ (609,768)	\$ (4,727,997)	\$ (5,141,858)	\$ (4,376,547)	\$ (3,423,368)
Business-type activities										
Invested in capital assets, net of related debt	\$ 24,200	\$ 21,517	\$ 41,060	\$ 37,530	\$ 34,000	\$ 30,470	\$ 25,540	\$ 20,560	\$ 16,580	\$ 12,600
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 68,526	\$ 85,148	\$ 121,800	\$ 94,903	\$ 88,745	\$ 116,344	\$ -	\$ 137,092	\$ 161,033	\$ 197,427
Total business-type activities net position	\$ 92,726	\$ 106,665	\$ 162,860	\$ 132,433	\$ 122,745	\$ 146,814	\$ 25,540	\$ 157,652	\$ 177,613	\$ 210,027
District-wide										
Invested in capital assets, net of related debt	\$ (13,404,854)	\$ (5,678,248)	\$ (2,175,745)	\$ (1,716,332)	\$ (1,395,497)	\$ (1,513,667)	\$ (2,307,897)	\$ (1,999,819)	\$ (1,646,625)	\$ (1,496,976)
Restricted	\$ 20,905	\$ 46,967	\$ 1,769,338	\$ 433,510	\$ 326,191	\$ 111	\$ 9	\$ 5,506	\$ 49,708	
Other Purposes	\$ 13,699,782	\$ 8,652,002	\$ 754,507	\$ 1,495,703	\$ 2,073,891	\$ 1,810,255	\$ 2,009,363	\$ 1,649,929	\$ 2,476,020	\$ 3,591,382
Unrestricted	\$ (1,097,772)	\$ (1,123,517)	\$ 406,061	\$ (503,496)	\$ (1,117,433)	\$ (764,836)	\$ (4,288,588)	\$ (4,639,822)	\$ (5,078,037)	\$ (5,307,747)
Total district net position	\$ (781,939)	\$ 1,897,204	\$ 754,161	\$ (290,615)	\$ (112,848)	\$ (468,137)	\$ (4,587,113)	\$ (4,984,206)	\$ (4,198,934)	\$ (3,213,341)

Source: CAFR Schedule A-1 (Net position)

Borough of Kenilworth Board of Education
Changes in Net position
Last Ten Fiscal Years
(accrual basis of accounting)
Fiscal Year Ending June 30,

Exhibit J-2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 6,584,495	\$ 6,324,634	\$ 6,112,698	\$ 6,660,169	\$ 7,176,047	\$ 7,371,644	\$ 7,169,752	\$ 8,278,681	\$ 7,902,473	\$ 7,865,280
Special education	2,085,007	2,427,121	2,154,051	2,180,521	2,320,339	2,210,861	2,065,576	3,117,115	3,095,217	2,950,083
Other special education	338,602	483,754	495,497	317,117	373,782	576,846	1,044,459	469,834	603,002	
Other instruction	595,501	560,607	423,406	455,915	506,685	498,965	546,340	739,128	552,346	1,171,465
Support Services:										
Tuition	1,276,859	1,405,506	1,508,674	1,792,435	1,670,299	1,759,129	2,142,778	1,818,728	1,942,494	1,918,923
Student & instruction related services	2,231,134	2,124,053	2,033,536	2,101,647	2,127,791	2,220,803	2,157,614	2,362,969	2,413,470	2,665,729
School administrative services	546,894	565,642	528,848	524,145	580,411	557,611	655,129	681,306	669,683	816,818
General administrative services	1,286,405	874,963	1,061,329	1,058,488	1,099,370	1,140,220	1,059,239	1,031,882	1,018,607	889,916
Plant operations and maintenance	1,555,870	1,541,424	1,432,142	1,389,821	1,378,877	1,774,694	1,496,737	1,604,097	1,605,136	1,615,633
Pupil transportation	502,005	547,152	568,453	649,657	616,852	665,699	643,591	635,830	816,755	847,979
Unallocated Benefits	4,220,661	4,808,714	4,641,951	4,798,339	5,544,882	5,399,365	5,763,117	6,265,756	6,816,245	7,611,614
Special Schools	61,855	43,018	34,938	46,429	45,116	60,934	64,423	67,053	76,978	44,927
Education Jobs	-	-	-	127,692	-	-	-	-	-	-
Interest on Long Term Debt	276,130	656,218	626,763	632,993	601,752	581,305	567,312	388,228	473,980	456,021
Capital Outlay	-	-	1,924,688	1,267,372	135,511	5,336	-	28,614	6,800	164,624
Unallocated depreciation	231,416	231,417	472,752	465,633	465,633	465,633	672,942	672,942	616,371	616,371
ARRA	-	273,016	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>21,792,834</u>	<u>22,867,239</u>	<u>24,019,726</u>	<u>24,468,373</u>	<u>24,643,347</u>	<u>25,289,045</u>	<u>26,049,009</u>	<u>28,162,163</u>	<u>28,609,557</u>	<u>29,635,383</u>
Business-type activities:										
Food service	465,972	470,366	445,839	519,303	468,255	465,651	408,858	411,586	428,308	454,679
Aftercare Program	-	-	-	-	115,988	115,988	154,901	184,307	175,226	182,797
Total business-type activities expense	<u>465,972</u>	<u>470,366</u>	<u>445,839</u>	<u>519,303</u>	<u>584,243</u>	<u>581,639</u>	<u>563,759</u>	<u>595,893</u>	<u>603,534</u>	<u>637,476</u>
Total district expenses	<u>\$ 22,258,806</u>	<u>\$ 23,337,605</u>	<u>\$ 24,465,565</u>	<u>\$ 24,987,676</u>	<u>\$ 25,227,590</u>	<u>\$ 25,870,684</u>	<u>\$ 26,612,768</u>	<u>\$ 28,758,056</u>	<u>\$ 29,213,091</u>	<u>\$ 30,272,859</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	-	-	291,289	329,051	320,929	384,828	512,972	426,985	550,660	468,448
Operating grants and contributions	896,603	1,100,146	675,834	765,300	682,155	577,338	791,702	676,452	590,147	629,222
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>896,603</u>	<u>1,100,146</u>	<u>967,123</u>	<u>1,094,351</u>	<u>1,003,084</u>	<u>962,166</u>	<u>1,304,674</u>	<u>1,103,437</u>	<u>1,140,807</u>	<u>1,097,670</u>
Business-type activities:										
Charges for services					296,778	291,902	235,845	268,642	266,926	277,287
Aftercare Program							160,117	176,000	179,429	207,649
Operating grants and contributions	113,227	134,293	147,381	161,887	161,789	136,618	169,000	188,019	177,140	184,295
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>113,227</u>	<u>134,293</u>	<u>147,381</u>	<u>161,887</u>	<u>458,567</u>	<u>428,520</u>	<u>564,962</u>	<u>612,661</u>	<u>623,495</u>	<u>669,231</u>
Total district program revenues	<u>1,009,830</u>	<u>1,234,439</u>	<u>1,114,504</u>	<u>1,256,238</u>	<u>1,461,651</u>	<u>1,390,686</u>	<u>1,869,636</u>	<u>1,716,098</u>	<u>1,764,302</u>	<u>1,766,901</u>
Net (Expense)/Revenue										
Governmental activities	(20,896,231)	(21,767,093)	(23,052,603)	(23,374,022)	(23,640,263)	(24,326,879)	(24,744,335)	(27,058,726)	(27,468,750)	(28,537,713)
Business-type activities	(12,991)	(336,073)	(298,458)	(357,416)	(125,676)	(153,119)	1,203	16,768	19,961	31,755
Total district-wide net expense	<u>(20,909,222)</u>	<u>(22,103,166)</u>	<u>(23,351,061)</u>	<u>(23,731,438)</u>	<u>(23,765,939)</u>	<u>(24,479,998)</u>	<u>(24,743,132)</u>	<u>(27,041,958)</u>	<u>(27,448,789)</u>	<u>(28,505,958)</u>

Borough of Kenilworth Board of Education
Changes in Net position
Last Ten Fiscal Years
(accrual basis of accounting)
Fiscal Year Ending June 30,

Exhibit J-2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net position										
Governmental activities:										
Property taxes levied for general purposes, net	14,791,143	15,208,753	16,197,614	16,244,515	16,244,515	16,519,624	17,083,017	18,110,000	19,384,980	19,733,356
Taxes levied for debt service	309,592	594,933	700,725	653,823	690,794	695,330	787,607	848,149	849,641	840,369
Unrestricted grants and contributions	4,974,665	6,538,380	4,730,363	5,691,293	6,690,044	6,550,917	7,061,340	7,572,120	7,812,472	8,739,355
Investment Income	10,077	1,775	-	-	-	-	-	-	-	-
Tuition Received	445,679	275,781	305,839	-	-	-	-	-	-	-
Miscellaneous income	277,712	219,829	63,186	253,922	177,111	216,515	135,601	114,596	186,968	177,812
Other (Bond Proceeds)	13,921,859	50,450	408,880	-	-	(20,630)	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	34,730,727	21,889,901	22,406,597	22,843,553	23,802,464	23,961,756	25,067,565	26,644,865	28,234,061	29,490,892
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	659
Total business-type activities	-	-	-	-	-	-	-	-	-	659
Total district-wide	34,730,727	21,889,901	22,406,597	22,843,553	23,802,464	23,961,756	25,067,565	26,644,865	28,234,061	29,491,551
Change in Net position										
Governmental activities	13,834,496	122,808	(646,006)	(530,469)	162,201	(365,123)	323,230	(413,861)	765,311	953,179
Business-type activities	(12,991)	13,939	(298,458)	(357,416)	(125,676)	(153,119)	1,203	16,768	19,961	32,414
Total district	13,821,505	136,747	(944,464)	(887,885)	36,525	(518,242)	324,433	(397,093)	785,272	985,593

Source: CAFR Schedule A-2

Borough of Kenilworth Board of Education
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending 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>
General Fund										
Reserved	297,941	405,015	854,507	1,460,181	1,921,935	1,715,888	1,918,625	1,589,859	2,575,143	3,547,179
Unreserved	296,815	236,122	184,261	306,434	213,115	140,272	222,304	148,522	166,214	67,183
Total general fund	<u>\$ 594,756</u>	<u>\$ 641,137</u>	<u>\$ 1,038,768</u>	<u>\$ 1,766,615</u>	<u>\$ 2,135,050</u>	<u>\$ 1,856,160</u>	<u>\$ 2,140,929</u>	<u>\$ 1,738,381</u>	<u>\$ 2,741,357</u>	<u>\$ 3,614,362</u>
All Other Governmental Funds										
Reserved	\$ 3,481,465	\$ 533,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	-	180,195	51,437	89,999	55,426	46,318	73,356	64,972	-
Capital projects fund	9,920,376	7,713,456	1,717,992	448,392	325,878	-	-	-	-	-
Debt service fund	20,905	20,905	51,346	3	313	111	9	5,506	49,708	44,203
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,422,746</u>	<u>\$ 8,267,892</u>	<u>\$ 1,949,533</u>	<u>\$ 499,832</u>	<u>\$ 416,190</u>	<u>\$ 55,537</u>	<u>\$ 46,327</u>	<u>\$ 78,862</u>	<u>\$ 114,680</u>	<u>\$ 44,203</u>
Total all Governmental Funds:	<u>\$ 14,017,502</u>	<u>\$ 8,909,029</u>	<u>\$ 2,988,301</u>	<u>\$ 2,266,447</u>	<u>\$ 2,551,240</u>	<u>\$ 1,911,697</u>	<u>\$ 2,187,256</u>	<u>\$ 1,817,243</u>	<u>\$ 2,856,037</u>	<u>\$ 3,658,565</u>

Source: CAFR Schedule B-1

**Borough of Kenilworth Board of Education
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	15,100,735	15,803,686	16,898,339	16,898,338	16,935,309	17,214,954	17,870,624	18,958,149	19,384,980	20,573,725
Tuition charges	445,679	275,781	291,289	329,051	320,292	384,828	512,972	426,985	550,660	468,448
Interest earnings	10,077	1,775	359	-	-	-	-	-	-	-
Miscellaneous	361,866	264,856	437,973	267,122	190,511	216,515	109,833	130,935	85,313	173,339
Erate						38,185	40,568	17,309	28,503	19,537
State sources	5,225,324	5,461,999	4,922,294	5,835,640	6,871,595	6,648,776	7,162,943	7,704,670	7,457,821	8,841,605
Federal sources	561,790	1,131,500	414,286	609,467	487,204	441,294	515,182	510,254	9,813	511,908
Total revenue	21,705,471	22,939,597	22,964,540	23,939,618	24,804,911	24,944,552	26,212,122	27,748,302	27,517,090	30,588,562
Expenditures										
Instruction										
Regular Instruction	6,330,212	6,342,960	6,566,437	6,781,906	7,176,047	7,324,796	7,169,752	8,177,657	7,781,065	7,944,748
Special education instruction	2,085,007	2,427,121	2,154,051	2,182,235	2,320,339	2,210,861	2,065,575	3,117,115	2,568,039	2,950,083
Other special instruction	338,602	483,754	495,497	317,117	373,782	576,846	1,044,459	469,834	603,002	-
Vocational education	-	-	-	-	-	-	-	-	-	-
Other instruction	595,501	580,607	423,406	455,915	506,885	498,965	546,340	739,128	552,346	1,171,465
Support Services:										
Tuition	1,276,859	1,405,506	1,508,674	1,792,435	1,670,299	1,759,129	2,142,778	1,818,728	1,942,494	1,918,923
Student & instruction related services	2,231,134	2,124,053	2,033,536	2,101,647	2,127,791	2,220,803	2,157,614	2,362,969	2,350,501	2,665,729
General administrative services	704,257	565,642	528,848	536,303	615,750	557,611	560,944	681,306	669,683	644,210
School Administrative services	564,984	540,018	538,473	524,145	580,411	645,822	655,129	530,194	504,056	889,916
Information Technology	238,268	259,645	226,310	189,323	194,879	198,449	199,118	179,575	191,046	172,608
Business administrative services	325,790	334,945	296,546	332,862	288,741	295,949	299,178	322,113	323,505	-
Plant operations and maintenance	1,555,870	1,541,424	1,432,142	1,389,821	1,378,877	1,774,694	1,496,737	1,604,097	1,605,136	1,615,633
Pupil transportation	502,005	547,152	568,453	649,657	616,852	665,699	643,591	635,830	816,755	847,979
Unallocated employee benefits	4,220,661	4,549,069	4,641,951	4,798,339	5,529,995	5,399,365	5,700,081	6,146,609	6,542,372	7,430,553
Special Schools	61,855	43,018	34,938	46,429	45,116	60,934	64,423	67,053	76,978	44,927
Charter Schools	-	-	-	-	-	-	-	-	-	-
Capital outlay	4,176,373	2,206,920	6,511,448	1,313,315	135,511	356,327	-	28,614	6,800	164,624
Debt service:										
Principal	325,000	345,000	360,000	375,000	385,000	405,000	585,000	705,000	855,000	770,000
Interest and other charges	113,999	574,673	646,165	628,862	610,231	590,357	576,106	559,531	368,429	470,000
ARRA/Education Jobs	-	273,016	-	127,692	-	-	-	-	-	-
Total expenditures	25,646,377	25,124,523	28,966,875	24,543,003	24,556,306	25,541,607	25,906,825	28,145,353	27,757,207	29,701,398
Excess (Deficiency) of revenues over (under) expenditures	(3,940,906)	(2,184,926)	(6,002,335)	(603,385)	248,605	(597,055)	305,297	(397,051)	(240,117)	887,164
Other Financing sources (uses)										
Sale of Bonds	13,900,000	-	-	-	-	-	-	-	-	-
State of NJ Grant	39,100	-	-	-	-	-	-	-	-	-
2009-2010 budget appropriation	58,650	-	-	-	-	-	-	-	-	-
Cancel Accounts Receivable	(3,800)	-	-	-	-	-	-	-	-	-
Adjustment prior year refund	(72,091)	50,450	(26,901)	-	-	-	-	-	-	-
Total other financing sources (uses)	13,921,859	50,450	(26,901)	-	-	-	-	-	-	-
Net change in fund balances	9,980,953	(2,134,476)	(6,029,236)	(603,385)	248,605	(597,055)	305,297	(397,051)	(240,117)	887,164
Debt service as a percentage of noncapital expenditures	2.0%	4.0%	4.5%	4.3%	4.1%	4.0%	4.5%	4.5%	4.4%	4.2%

Source: CAFR Schedule B-2

Borough of Kenilworth Board of Education
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Misc.	UCRHS #1	Contribution EE Benefits	E-Rate	Choice Trans	Total
2009	\$ 10,078	\$ 436,370	\$ 100,603	\$ 171,405	\$ -	\$ -	\$ -	\$ -	\$ 718,456
2010	\$ 1,775	\$ 273,386	\$ 84,420	\$ 70,082	\$ -	\$ 23,514	\$ 18,145	\$ -	\$ 471,322
2011	\$ 359	\$ 305,839	\$ 89,367	\$ 22,692	\$ -	\$ 212,178	\$ 25,501	\$ 30,046	\$ 685,983
2012	\$ 26	\$ 342,451	\$ 82,990	\$ 22,294	\$ -	\$ -	\$ 21,946	\$ 85,359	\$ 555,066
2013	\$ -	\$ 320,292	\$ 99,434	\$ 41,398	\$ -	\$ -	\$ 9,268	\$ -	\$ 470,392
2014	\$ -	\$ 446,828	\$ 83,647	\$ 71,174	\$ -	\$ -	\$ 38,185	\$ -	\$ 639,834
2015	\$ -	\$ 525,407	\$ 43,955	\$ 33,955	\$ -	\$ -	\$ 40,568	\$ -	\$ 643,885
2016	\$ 9,646	\$ 435,634	\$ 51,485	\$ 21,710	\$ -	\$ -	\$ 17,309	\$ -	\$ 535,784
2017	\$ 25,250	\$ 510,173	\$ 47,058	\$ 16,870	\$ -	\$ -	\$ 28,504	\$ -	\$ 627,855
2018	\$ 65,803	\$ 442,020	\$ 56,628	\$ 9,683	\$ -	\$ -	\$ 19,537	\$ -	\$ 593,671

Source: District Records

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Personal Tangible Property	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009*	\$ 7,644,800	\$ 440,025,800	\$ -	\$ -	\$ 83,304,600	\$ 350,045,300	\$ -	\$ 881,020,500	\$ -	\$ 530,873	\$ 881,551,373	1.714	
2010	\$ 7,315,200	\$ 441,568,500	\$ -	\$ -	\$ 88,612,800	\$ 344,834,100	\$ -	\$ 882,330,600	\$ -	\$ 570,873	\$ 882,901,473	1.790	
2011	\$ 8,661,300	\$ 443,985,500	\$ -	\$ -	\$ 87,613,500	\$ 341,525,500	\$ -	\$ 881,785,800	\$ -	\$ 653,117	\$ 882,438,917	1.914	
2012	\$ 8,489,400	\$ 445,497,400	\$ -	\$ -	\$ 86,755,600	\$ 304,366,400	\$ -	\$ 845,108,800	\$ -	\$ 669,606	\$ 845,778,406	2.003	
2013	\$ 7,816,300	\$ 448,142,500	\$ -	\$ -	\$ 85,952,000	\$ 269,868,100	\$ -	\$ 811,778,900	\$ -	\$ 654,527	\$ 812,433,427	2.119	
2014	\$ 7,826,100	\$ 449,556,100	\$ -	\$ -	\$ 88,522,400	\$ 269,859,600	\$ -	\$ 815,764,200	\$ -	\$ 622,822	\$ 816,387,022	2.189	
2015	\$ 7,820,300	\$ 451,270,500	\$ -	\$ -	\$ 89,904,100	\$ 269,142,200	\$ -	\$ 818,137,100	\$ -	\$ 629,922	\$ 818,767,022	2.316	
2016	\$ 7,977,900	\$ 452,647,700	\$ -	\$ -	\$ 89,797,200	\$ 269,079,300	\$ -	\$ 819,402,100	\$ -	\$ 658,308	\$ 820,060,908	2.467	
2017	\$ 8,058,300	\$ 455,339,700	\$ -	\$ -	\$ 87,565,800	\$ 266,955,100	\$ -	\$ 817,918,900	\$ -	\$ 658,767	\$ 818,577,667	2.514	
2018	\$ 7,898,200	\$ 456,530,900	\$ -	\$ -	\$ 86,825,700	\$ 269,920,500	\$ -	\$ 816,174,300	\$ -	\$ 650,570	\$ 816,824,870	2.512	

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Borough of Kenilworth Board of Education
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kenilworth Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	General		Total Direct	Kenilworth Borough	County Open Space	Union County	
	Basic Rate ^a	Obligation Debt Service ^b					
2009	1.714		1.714	1.0730		0.719	3.506
2010	1.790		1.790	1.1420	0.033	0.759	3.724
2011	1.914		1.914	1.198	0.031	0.769	3.912
2012	2.003		2.003	1.28	0.028	0.830	4.141
2013	2.119		2.119	1.337	0.027	0.899	4.382
2014	2.189		2.189	1.387	0.025	0.874	4.475
2015	2.316		2.316	1.405	0.026	0.921	4.668
2016	2.467		2.467	1.402	0.025	0.900	4.795
2017	2.514		2.514	1.433	0.025	0.902	4.874
2018	2.512		2.512	1.472	0.026	0.899	4.909

Source: District Records and Municipal Tax Collector

Note:

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

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

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

**Borough of Kenilworth Board of Education
Principal Property Tax Payers,
Current Year and Ten Years Ago**

Exhibit J-8

Taxpayer	2018			2008		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merck (Schering 2002)	\$ 168,580,900	1	20.66%	\$ 241,982,700	1	27.47%
Castle & Cooke, NJ, LLC	\$ 7,867,100	2	0.96%	\$ 7,867,100	4	0.89%
Kenilworth-Grocery/Berenson	\$ 7,643,700	3	0.94%	\$ 8,243,700	3	0.94%
Cristie Properties	\$ 6,903,600	4	0.85%	\$ 6,903,600	5	0.78%
FDV Realty	\$ 4,917,600	5	0.60%	\$ 4,579,300	9	0.52%
Lakhani Associates	\$ 4,352,000	7	0.53%			0.00%
141 Market Street Realty, LLC.	\$ 4,113,000	6	0.85%			0.00%
ADHP Real Estate	\$ 3,500,000	8	0.50%			0.00%
Boright Realty	\$ 3,438,800	9	0.42%	\$ 8,786,500	2	0.00%
K' Worth Storage, LLC	\$ 3,400,000	10	0.42%	\$ 4,700,000	7	0.53%
Total	\$ 214,716,700		26.72%	\$ 283,062,900		31.13%
 Total Assessed Value:	 \$ 816,174,300			 \$ 881,020,500		

Source: Municipal Tax Assessor -

**Borough of Kenilworth Board of Education
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 32,926,959	\$ 32,599,772	99.01%	-
2010	\$ 34,596,919	\$ 34,292,005	99.11%	
2011	\$ 35,096,203	\$ 34,691,680	98.84%	
2012	\$ 35,083,414	\$ 34,773,275	99.11%	
2013	\$ 35,711,990	\$ 35,395,437	99.09%	
2014	\$ 36,638,155	\$ 36,316,828	99.12%	
2015	\$ 38,283,875	\$ 38,021,915	99.31%	
2016	\$ 39,427,384	\$ 39,109,601	99.19%	
2017	\$ 40,074,496	\$ 39,662,278	98.94%	

Source: Borough Tax Office

Borough of Kenilworth Board of Education
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Exhibit J-10

Fiscal Year Ended June 30, #	# <u>Governmental Activities</u>				<u>Business-Type Activities</u>		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2009	16,015,000	-	-	-	40,000	16,055,000	0.25%	\$ 40,181
2010	15,670,000	-	-	-	-	15,670,000	0.19%	\$ 29,831
2011	15,310,000	-	-	-	-	15,310,000	0.19%	\$ 29,831
2012	14,935,000	-	-	-	-	14,935,000	0.20%	\$ 29,831
2013	14,550,000	-	-	-	-	14,550,000	0.20%	\$ 29,363
2014	14,145,000	-	-	-	-	14,145,000	0.21%	\$ 29,182
2015	13,560,000	-	-	-	-	13,560,000	0.25%	\$ 33,914
2016	13,275,000	-	-	-	-	12,855,000	0.33%	\$ 41,792
2017	12,420,000	-	-	-	-	11,720,000	0.36%	\$ 42,123
2018	11,650,000	-	-	-	-	11,650,000	0.36%	\$ 42,123

Source: District CAFR Schedules I-1, I-2

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

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

b Includes Early Retirement Incentive Plan (ERIP) refunding

Borough of Kenilworth Board of Education
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding				Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Additions	Refinanced	Deductions			
2009	2,440,000	13,900,000		325,000	16,015,000	0.52%	\$ 2,086.64
2010	16,015,000	-		345,000	15,670,000	0.51%	\$ 1,980.04
2011	15,670,000			360,000	15,310,000	0.50%	\$ 1,934.55
2012	15,310,000			375,000	14,935,000	0.48%	\$ 1,887.16
2013	14,935,000			385,000	14,550,000	0.47%	\$ 1,809.70
2014	14,550,000			405,000	14,145,000	0.46%	\$ 1,748.45
2015	14,145,000			585,000	13,560,000	0.44%	\$ 1,663.19
2016	13,560,000	9,395,000	9,675,000	5,000	13,275,000	0.43%	\$ 1,628.24
2017	13,275,000			855,000	12,420,000	0.40%	\$ 1,511.87
2018	12,420,000			770,000	11,650,000	0.38%	\$ 1,421.77

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

a See Exhibit NJ J-6 for property tax data.

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

Borough of Kenilworth Board of Education
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2018

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kenilworth (12-31-16)	9,644,267	100.000%	9,644,267
Other debt			
County of Union - Borough's Share	582,124,789	2.10%	12,224,621
Rahway Valley Sewerage Authority	155,548,561	2.30%	3,577,617
Subtotal, overlapping debt			25,446,504
Kenilworth Borough School District Direct Debt			<u>11,650,000</u>
Total direct and overlapping debt			<u><u>\$ 37,096,504</u></u>

Sources: Borough of Kenilworth Tax Office
School District Records
County of Union (908-527-4099/4050)

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

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

Legal Debt Margin Calculation

		Equalized valuation basis													
		2016	2015	2014								2016	2017	2018	
		\$ 1,270,158,942	\$ 1,270,158,942	\$ 1,270,158,942								\$ 50,806,358	\$ 12,420,000	\$ 11,850,000	
		[A]	[A/3]	[C]								[B-C]			
		\$ 3,810,476,826	\$ 1,270,158,942	\$ 11,720,000								\$ 39,086,358			
		Fiscal Year													
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018			
Debt limit	\$	68,825,146	73,506,128	74,712,830	73,471,721	65,251,540	64,170,313	38,836,672	52,092,654	52,092,654	50,806,358	50,806,358			
Loss of Business Income															
Total net debt applicable to limit		<u>2,440,000</u>	<u>16,015,000</u>	<u>15,670,000</u>	<u>15,310,000</u>	<u>14,935,000</u>	<u>14,550,000</u>	<u>14,145,000</u>	<u>13,560,000</u>	<u>13,275,000</u>	<u>12,420,000</u>	<u>11,850,000</u>			
Legal debt margin	\$	<u>66,385,146</u>	<u>57,491,128</u>	<u>90,382,830</u>	<u>58,161,721</u>	<u>50,316,540</u>	<u>49,620,313</u>	<u>24,691,672</u>	<u>38,532,654</u>	<u>38,817,654</u>	<u>38,386,358</u>	<u>39,156,358</u>			
Total net debt applicable to the limit as a percentage of debt limit		3.55%	21.79%	20.97%	20.84%	22.89%	22.67%	36.42%	26.03%	25.48%	24.45%	22.93%			

Source: Abstract of Ratables and District Records CAFR Schedule J-11

a Limit set by NJSA 18A:24-19 for a K through 12 district

Equalized valuation basis figures not available for 2015 or 2016 from Borough so 2014 figures carried over.

Borough of Kenilworth Board of Education
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Exhibit J-14

<u>Year</u>	<u>Kenilworth Population**</u>	<u>Personal Income (thousands of dollars)*</u>	<u>Per Capita Personal Income*</u>	<u>Unemployment Rate</u>
2009	7,675	-	-	9.80%
2010	7,914	23,608,253	29,831	9.60%
2011	7,914	23,608,253	29,831	10.10%
2012	7,914	23,608,253	29,831	10.20%
2013	8,040	23,608,253	29,363	9.20%
2014	8,090	23,608,253	29,182	6.60%
2015	8,153	23,608,253	28,957	5.80%
2016	8,215	23,608,253	28,738	5.20%
2017	8,194	23,608,253	28,812	4.50%
2018	8,129	23,608,253	29,042	4.60%

Source: NJ Dept of Labor and Workforce Development: http://lwd.dol.state.nj.us/labor/lpa/employ/emp_index.html
<http://quickfacts.census.gov/qfd/states/34/3436690.html> (Population & Per Capita Income)
<http://www.homefacts.com/unemployment/New-Jersey/Union-County/Kenilworth.html> (Unemployment)

**2000 Census Figures through 2009; 2010 Census figures forward

Borough of Kenilworth Board of Education
 Principal Employers,
 Current Year and Nine Years Ago

Exhibit J-15

Employer	2017			2008		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
-	-	1	0.00%	-	1	0.00%
-	-	2	0.00%	-	2	0.00%
-	-	3	0.00%	-	3	0.00%
-	-	4	0.00%	-	4	0.00%
-	-	5	0.00%	-	5	0.00%
-	-	6	0.00%	-	6	0.00%
-	-	7	0.00%	-	7	0.00%
-	-	8	0.00%	-	8	0.00%
-	-	9	0.00%	-	9	0.00%
-	-	10	0.00%	-	10	0.00%
-	-		0.00%	-		0.00%

Source: Borough of Kenilworth

Not Available

**Borough of Kenilworth Board of Education
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	86	88.0	89.6	90.6	91.2	94.55	95.7	97.29	101.23	99.1
Special education	28	32.0	33.6	33.6	35.5	34.22	39.57	44.61	47.34	42.06
Other special education (CST)	6	6.5	7	7	7	7	7	7	7	7
Other instruction		8.0	8	8	9	11.27	11.64	11.5	10.5	10.5
Support Services:										
Student & instruction related services	17	10.0	11	11	11	10	11	12	13.94	14.5
General administrative services	2	7.0	7	7	7	8	7	7	7.5	8.5
School administrative services	11	8.5	8.5	8.5	8.9	9.5	9.5	9.5	10.5	10.5
Business administrative services	4	4.0	4	4	4	3.75	3.75	3.75	3.75	3.75
Plant operations and maintenance	14	8.5	8.5	8.5	8.5	8.75	8.75	8.75	8.75	8.75
Pupil transportation	0	0.0	0	0	0	0	0	0		
Total	<u>168.0</u>	<u>172.5</u>	<u>177.2</u>	<u>178.2</u>	<u>182.1</u>	<u>187.0</u>	<u>193.9</u>	<u>201.4</u>	<u>210.5</u>	<u>204.7</u>

Source: District Position Control Roster

Borough of Kenilworth Board of Education
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle/High School				
2009	1,314	21,031,005	\$ 16,005	5.19%	124.00	12.0	11.00	1,387.60	1,326.00	2.66%	95.56%
2010	1,367	21,997,930	\$ 16,092	0.54%	127.00	12.0	10.00	1,372.20	1,297.80	-1.11%	94.58%
2011	1,316	21,449,262	\$ 16,299	1.28%	127.00	11.9	10.7	1,339.90	1,276.10	-2.35%	95.24%
2012	1,332	22,098,134	\$ 16,590	1.79%	128.00	11.56	10.6	1,360.72	1,299.96	1.55%	95.53%
2013	1,400	23,425,564	\$ 16,733	0.86%	129.70	11.24	10.30	1,395.70	1,322.30	2.57%	94.74%
2014	1,389	24,189,923	\$ 17,415	4.08%	136.91	10.69	10.73	1,442.90	1,386.30	3.38%	96.08%
2015	1,412	24,745,719	\$ 17,532	0.67%	141.20	10.63	10.01	1,414.14	1,338.75	-1.99%	94.67%
2016	1,353	26,852,208	\$ 19,846	13.96%	146.73	12.00	11.00	1,411.57	1,341.37	-2.17%	95.03%
2017	1,355	26,526,978	\$ 19,577	12.41%	99.10	12.00	11.00	1,433.97	1,357.47	-0.62%	94.67%
2018	1,465	27,932,176	\$ 19,066	8.75%	141.16	12.00	11.00	1,438.53	1,359.75	1.72%	94.52%

Sources: District records, ASSA and Schedules J-4, J-6, J-12; NJ School Report Card

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service, capital outlay and State Share of TPAF Pension; Schedule J-4
- b Teaching staff includes only full-time equivalents of certificated staff - Position Control Roster-Certified Staff Total
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Pupil Teacher Ratio - NJDOE School Performance Report

Borough of Kenilworth Board of Education
 School Building Information
 Last Ten Fiscal Years

Exhibit J-18

<u>District Building</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Elementary</u>												
Warren Harding (1923)												
Square Feet	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500
Capacity (students)	650	650	650	650	650	650	650	650	650	650	650	650
Enrollment	656	631	640	703	638	652	680	714	730	679	682	706
<u>Middle/High School</u>												
David Brearley (1966)												
Square Feet	147,910	147,910	147,910	147,910	147,910	150,267	150,267	150,267	150,267	150,267	150,267	150,267
Capacity (students)	804	804	804	804	804	804	804	804	804	804	804	804
Enrollment	752	694	701	664	678	680	716	729	721	744	752	759
DISTRICT TOTALS	1,408	1,325	1,341	1,367	1,316	1,332	1,396	1,443	1,451	1,423	1,434	1,465

Number of Schools at June 30, 2017

 Elementary = 1

 Middle/High School = 1

Source: District records- School Register ADE

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

**BOROUGH OF KENILWORTH BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST FIVE FISCAL YEARS
UNAUDITED**

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

School Facilities	Project # (s)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Warren Harding Elementary School	N/A	76,941	109,920	57,341	50,935	28,700	62,398	13,840	36,894	30,870	54,644
David Brearley Middle/High School	N/A	49,087	56,353	108,322	104,459	69,033	54,125	96,369	38,492	40,867	99,639
District Level	N/A	193,145	267,626	158,295	88,333	136,512	103,436	152,319	101,560	122,289	119,746
Total School Facilities		<u>319,173</u>	<u>433,899</u>	<u>323,958</u>	<u>243,727</u>	<u>234,245</u>	<u>219,959</u>	<u>262,528</u>	<u>176,946</u>	<u>194,026</u>	<u>274,029</u>

Source: Comprehensive Maintenance Plan and M-1 & District Records

**BOROUGH OF KENILWORTH BOARD OF EDUCATION
INSURANCE SCHEDULE
UNAUDITED**

Exhibit J-20

**NJ SCHOOLS INSURANCE FUND (NJSIG) JOINT INSURANCE FUND
2017-2018**

	Limits	Deductible	
PROPERTY:			
Building & Personal Property - Pool	\$500,000,000	\$5,000	
Equipment Breakdown - Pool	\$100,000,000	\$5,000	
EDP - Electronic Data Processing Equip	\$500,000	\$1,000	
Valuable Papers - Pool	\$10,000,000	\$5,000	
Newly Aquired Property up to 120 days after acquisition - Pool	\$10,000,000	\$5,000	
Auto Physical Damage	Per Schedule	\$1,000	
Flood for properties in SFHA Zone - Pool	\$25,000,000	\$500,000	Building
		\$500,000	Contents
Flood for properties all other zones - Pool	\$75,000,000	\$10,000	
Earthquake - Pool	\$50,000,000	\$5,000	
Accounts Receivable - Pool	\$250,000	\$5,000	
Fine Arts (if scheduled) - Pool	\$1,000,000	\$5,000	None scheduled
Loss of Rents	\$150,000	\$5,000	
Loss of Business Income	\$300,000	\$5,000	
CRIME & FIDELITY:			
Money & Securiteis	\$100,000	\$500	
Public Employee Dishonesty	\$250,000	\$1,000	
COMMERCIAL GENERAL & AUTO LIABILITY :			
Limit of Liability; Per Occurrence	\$16,000,000		
SCHOOL LEADERS PROFESSIONAL LIABILITY			
Limit of Liability; Per Occurrence/Aggregate	\$16,000,000	\$5,000	
EMPLOYEE DISHONESTY BONDS:			
Treasurer off School Monies	\$250,000	\$ 1,000	
Board Secretary/Business Administrator	\$80,000	\$ 500	

Source: District Records

SINGLE AUDIT SECTION

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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**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**

K-1

Honorable President and Members
of the Board of Education
Kenilworth School District
County of Union
Kenilworth, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenilworth Board of Education, County of Union, 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 Kenilworth Board of Education, County of Union, State of New Jersey's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kenilworth Board of Education, County of Union, State of New Jersey'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 of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenilworth Board of Education, County of Union, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kenilworth Board of Education, County of Union, and State of New Jersey'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 purposes 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 Kenilworth Board of Education, County of Union, State of New Jersey's financial statements are free from material misstatement, we performed tests of it compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey**

November 16, 2018

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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

K-2

Honorable President and Members
of the Board of Education
Kenilworth School District
County of Union
Kenilworth, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's major state programs for the year ended June 30, 2018. The Board of Education of the Kenilworth School District, County of Union, State of New Jersey's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of the Kenilworth School District, County of Union, State of New Jersey'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 prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and the Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of the Kenilworth School District, County of Union, State of New Jersey'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 state program. However, our audit does not provide a legal determination of the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's compliance.

Opinion on Each Major State Program

In our opinion, the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's, 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 state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's 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 Board of Education of the Kenilworth School District, County of Union, State of New Jersey's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Kenilworth School District, County of Union, and State of New Jersey'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 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 a material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 was for the limited purposes 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey**

November 16, 2018

KENILWORTH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule A
K-3

Federal Grantor/ Pass-Through Grantor/ Project Title	Federal CFDA Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2018					
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor			
General Fund:																	
Medical Assistance Program SEMI	93.778	1705NJ5MAP	N/A	\$ 8,000	07/01/2017	06/30/2018	\$ -		8,000	(8,000)							
U.S. Department of Agriculture Passed Through State Department of Education:																	
National School Lunch Program	10.555	1716NJ304N1099	N/A	134,753	07/01/2016	06/30/2017	\$ (8,710)		8,710								
National School Lunch Program	10.555	1816NJ304N1099	N/A	141,320	07/01/2017	06/30/2018			135,320	(141,320)		(6,000)					
School Breakfast Program	10.553	1816NJ304N1099	N/A	8,098	07/01/2017	06/30/2018			7,626	(8,098)		(472)					
School Breakfast Program	10.553	1716NJ304N1099	N/A	6,891	07/01/2016	06/30/2017	(441)		441								
HHFKA	10.555	1716NJ304N1099	N/A	5,077	07/01/2016	06/30/2017	(297)		297								
HHFKA	10.555	1816NJ304N1099	N/A	5,252	07/01/2017	06/30/2018			5,028	(5,252)		(224)					
Food Distribution Program	10.550	1816NJ304N1099	N/A	25,046	07/01/2017	06/30/2018			25,046	(25,046)							
Total U.S. Department of Agriculture							(9,448)	-	182,468	(179,716)	-	(6,696)	-	-	-	-	-
U.S. Department of Education Passed Through State Department of Education:																	
Title I	84.010	S101A150030	N/A	150,960	07/01/2017	06/30/2018			116,542	(141,251)		(24,709)					
Title IIA	84.367	S367A160029	N/A	19,800	07/01/2016	06/30/2017	(1,852)		1,852								
Title IIA	84.367	S367A150029	N/A	26,254	07/01/2017	06/30/2018			18,419	(26,254)		(7,835)					
Title III	84.365	S365A160030	N/A	13,399	07/01/2016	06/30/2017	(603)		603								
Title III	84.365	S365A150030	N/A	13,119	07/01/2017	06/30/2018			7,526	(13,119)		(5,593)					
Title IV	84.424	S424A170031	N/A	10,000	07/01/2017	06/30/2018			7,701	(10,000)		(2,299)					
IDEA Preschool	84.173	H173A160114	N/A	314,771	07/01/2017	06/30/2018			296,686	(303,624)		(6,938)					
IDEA Part B Basic	84.027	H027A150100	N/A	9,660	07/01/2017	06/30/2018			9,660	(9,660)							
Total U.S. Department of Education							(2,455)	-	458,989	(503,908)	-	(47,374)	-	-	-	-	-
Total Federal Financial Assistance							\$ (11,903)	-	649,457	(691,624)	-	(54,070)	-	-	-	-	-

See Accompanying Notes to Schedules of Financial Assistance.

KENILWORTH SCHOOL DISTRICT

Schedule B
K-4

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Budgetary Expenditures Pass Through Funds	Repayment of Prior Year Balances	Balance at June 30, 2018			MEMO		
			From	To	Deferred Income (Accts Receivable)	Due To Grantor	Carryover (Walkover) Amount			Intergovernmental (Accounts Receivable)	Deferred Revenue Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
Special Education Aid	18-495-034-5120-089	\$ 821,279	7/1/2017	6/30/2018	\$ -		739,746								
School Choice	18-495-034-5120-068	2,125,960	7/1/2017	6/30/2018			1,915,179	(2,125,960)						(81,533)	821,279
Equalization Aid	18-495-034-5120-078	1,482,580	7/1/2017	6/30/2018			1,335,728	(1,482,580)						(210,781)	2,125,960
Security Aid	18-495-034-5120-084	43,234	7/1/2017	6/30/2018			39,065	(43,234)						(146,852)	1,482,580
Transportation Aid	18-495-034-5120-014	33,288	7/1/2017	6/30/2018			30,045	(33,288)						(4,169)	43,234
Under Adequacy Aid	18-495-034-5120-083	46,156	7/1/2017	6/30/2018			41,523	(46,156)						(3,243)	33,288
Addl. Adjustment Aid	18-495-034-5120-085	80,478	7/1/2017	6/30/2018			72,603	(80,478)						(4,633)	46,156
PARCC Readiness Aid	18-495-034-5120-098	14,180	7/1/2017	6/30/2018			12,790	(14,180)						(7,875)	80,478
Per Pupil Growth Aid	18-495-034-5120-097	14,180	7/1/2017	6/30/2018			12,790	(14,180)						(1,390)	14,180
Prof. Learning Community Aid	18-495-034-5120-101	13,660	7/1/2017	6/30/2018			12,271	(13,660)						(1,390)	14,180
Extraordinary Aid	17-495-034-5120-044	124,238	7/1/2016	6/30/2017	(124,238)		124,238							(1,389)	13,660
Extraordinary Aid	18-495-034-5120-044	109,359	7/1/2017	6/30/2018				(109,359)		(109,359)					109,359
On Behalf TPAF Pension Contributions	18-495-034-5094-002	2,732,369	7/1/2017	6/30/2018			2,732,369	(2,732,369)							2,732,369
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	17-100-034-5095-003	846,977	7/1/2016	6/30/2017	(41,976)		41,976								
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	18-100-034-5095-002	845,839	7/1/2017	6/30/2018			804,002	(845,839)			(41,837)				845,839
					(166,214)	-	7,914,325	(8,362,562)	-	-	(151,196)	-	-	(463,255)	8,362,562
State Department of Agriculture: National School Lunch Program (State Share)	18-100-010-3350-023	4,579	7/1/2016	6/30/2017			4,384	(4,579)			(195)				4,579
National School Lunch Program (State Share)	17-100-010-3350-023	3,979	7/1/2016	6/30/2017	(234)		234								
					(234)	-	4,618	(4,579)	-	-	(195)	-	-	-	4,579
Debt Service Aid Type II	18-495-034-5120-125	394,126	7/1/2017	6/30/2018			394,126	(394,126)							394,126
Special Revenue: Nonpublic Aid:															
Textbook Aid	18-495-034-5120-064	9,641	7/1/2017	6/30/2018			9,641	(9,627)						14	9,627
Textbook Aid	17-495-034-5120-064	10,606	7/1/2016	6/30/2017		21				(21)					
Nursing Services	18-100-034-5120-070	17,072	7/1/2017	6/30/2018			17,072	(15,114)						1,958	15,114
Nursing Services	17-100-034-5120-070	16,560	7/1/2016	6/30/2017	2,287					(2,287)					
Technology Aid	17-100-034-5120-373	4,784	7/1/2016	6/30/2017	204					(204)					
Technology Aid	18-100-034-5120-373	6,512	7/1/2017	6/30/2018			6,512	(6,200)						312	6,200
Security Aid	18-100-034-5120-084	13,200	7/1/2017	6/30/2018			13,200	(15,092)						108	13,092
Compensatory Education	18-100-034-5120-067	60,237	7/1/2017	6/30/2018			60,237	(32,247)						27,990	32,247
Compensatory Education	17-100-034-5120-067	63,602	7/1/2016	6/30/2017	34,041					(34,041)					
Transportation	18-100-034-5120-067	7,499	7/1/2017	6/30/2018			7,499	(7,499)							7,499
Examination and Classification	17-100-034-5120-066	24,313	7/1/2016	6/30/2017		9,180				(9,180)					
Examination and Classification	18-100-034-5120-066	21,293	7/1/2017	6/30/2018			21,293	(12,195)						9,098	12,195
Corrective Speech	18-100-034-5120-066	4,464	7/1/2017	6/30/2018			4,464	(2,857)						1,607	2,857
Corrective Speech	17-100-034-5120-066	6,185	7/1/2016	6/30/2017	4,771					(4,771)					
Supplemental Instruction	18-100-034-5120-066	19,031	7/1/2017	6/30/2018			19,031	(1,419)						7,612	11,419
Supplemental Instruction	17-100-034-5120-066	19,618	7/1/2016	6/30/2017	6,357					(6,357)					
					56,861	-	138,949	(110,250)	-	(56,861)	-	-	48,699	-	110,250
Total State Financial Assistance					\$ (109,587)	-	8,472,018	(8,871,517)	-	(56,861)	(151,391)	-	48,699	(463,255)	8,871,517
Less On Behalf Pension System Contributions								2,732,369							
Total For State Financial Assistance Major Program Determination								\$ (6,139,148)							

See Accompanying Notes to Schedules of Financial Assistance.

BOARD OF EDUCATION

K-5

KENILWORTH SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2018****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Kenilworth School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal and state awards 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 expenditures of federal awards and state financial assistance.

NOTE 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting and than recorded in the special revenue fund which are presented using the budgetary basis of accounting. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>					
Actual Amounts (Budgetary)					
"Revenues" from the Schedule					
of Expenditures of State					
Financial Assistance					
	\$ 8,362,562	110,250	394,126	4,579	8,871,517
Difference – Budget to "GAAP"					
Grant Accounting Budgetary					
Basis Differs from GAAP					
in that Encumbrances are					
Recognized as Expenditures					
and the Related Revenue					
is Recognized					
The Last State Aid Payment					
Is Recognized as Revenue					
for Budgetary Purposes,					
and Differs from GAAP					
Which does not Recognize					
This Revenue Until the					
Subsequent Year When the					
State Recognizes the Related					
Expense (GASB 33)					
	<u>(25,333)</u>	_____	_____	_____	<u>(25,333)</u>
Total State Revenue as Reported					
on the Statement of Revenues,					
Expenditures and Changes in					
Fund Balances					
	<u>\$ 8,337,229</u>	<u>110,250</u>	<u>394,126</u>	<u>4,579</u>	<u>8,846,184</u>

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>					
Actual Amounts (Budgetary)					
“Revenues” from the Schedule					
of Expenditures of Federal					
Awards					
	\$ 8,000	503,908		179,716	691,624
Difference – Budget to “GAAP”					
Grant Accounting Budgetary					
Basis Differs from GAAP in that					
Encumbrances are Recognized as					
Expenditures, and the Related					
Revenue is Recognized					
	_____	_____	_____	_____	_____
Total Federal Revenue as					
Reported on the Statement					
of Revenue, Expenditures,					
and Changes in Fund					
Balances					
	<u>\$ 8,000</u>	<u>503,908</u>	_____	<u>179,716</u>	<u>691,624</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2018. 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.

BOROUGH OF KENILWORTH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Part 1 - Summary of Auditor's Results

Financial Statement Section

Unmodified

(A) Type of auditor's report issued:

(B) Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes x No

2) Were reportable conditions(s) identified that were not considered to be material weaknesses?

_____ Yes x No

(C) Noncompliance material to general purpose financial statements noted?

_____ Yes x No

Federal Awards Section

Not Applicable

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-6

Part 1 - Summary of Auditor's Results (Continued)

State Awards Section

(J) Dollar threshold used to determine Type A programs: \$750,000

(K) Auditee qualified as low-risk auditee? x Yes No

(L) Type of auditor's report on compliance for major programs: Unmodified

(M) Internal control over compliance:

(1) Material Weakness(es) identified? Yes x No

(2) Were reportable condition(s) identified that were not considered to material weaknesses? Yes x No

(N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB's Circular 04-04? Yes x No

(O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>18-100-034-5095-002</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u>18-495-034-5120-030</u>	<u>Equalization Aid (Public Cluster)</u>
<u>18-495-034-5120-068</u>	<u>School Choice (Public Cluster)</u>
<u>18-495-034-5120-083</u>	<u>Under Adequacy Aid (Public Cluster)</u>
<u>18-495-034-5120-084</u>	<u>Security Aid (Public Cluster)</u>
<u>18-495-034-5120-089</u>	<u>Special Education Aid (Public Cluster)</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid (Public Cluster)</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness Aid (Public Cluster)</u>
<u>18-495-034-5120-014</u>	<u>Transportation Aid (Public Cluster)</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid (Public Cluster)</u>
<u>18-495-034-5120-085</u>	<u>Additional Adjustment Aid (Public Cluster)</u>

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-6

Part 2 - Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-6

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

This section identifies audit findings required to be reported by Title 2 U.S. Code of Federal Regulations Part 200 and OMB Circular Letter 15-08.

FEDERAL AWARDS

Not Applicable

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-6

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

STATE AWARDS

Finding: None

State program information: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

Management's response: N/A

BOROUGH OF KENILWORTH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prior Audit Findings:

No prior year audit findings.