

**SCHOOL DISTRICT  
OF  
KINNELON BOROUGH**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual  
Financial Report**

**of the**

**Kinnelon Borough School District**

**Kinnelon, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

**Kinnelon Borough School District  
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT  
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**INTRODUCTORY SECTION**



# KINNELON PUBLIC SCHOOLS

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109 KIEL AVENUE ♦ KINNELON, NEW JERSEY 07405

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

Website: [www.kinnelonpublicschools.org](http://www.kinnelonpublicschools.org)

Kerry Keane  
Business Administrator  
Board Secretary

January 18, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Kinnelon Board of Education (the “District”) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Kinnelon Board of Education (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through Grade 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2017/2018 fiscal year with an enrollment of 1,961 students which was an increase of 8 students from the prior year.

Honorable President and  
Members of the Board of Education  
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2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 3.7%. This is approximately 1.0% lower than the national average. Future home development is limited due to the implementation of the Highlands Act.

3) MAJOR INITIATIVES: Over the past five years, student enrollment in the Kinnelon Public Schools has decreased approximately 7%. Our student population decrease was anticipated and our focus is on repurposing existing instructional space to meet the needs of our student population. There are no plans for future building expansion.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.



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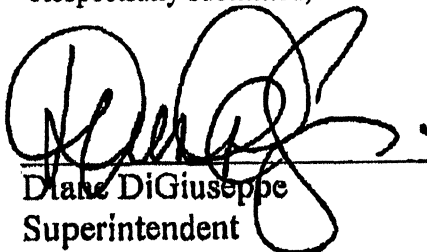
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the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


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

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

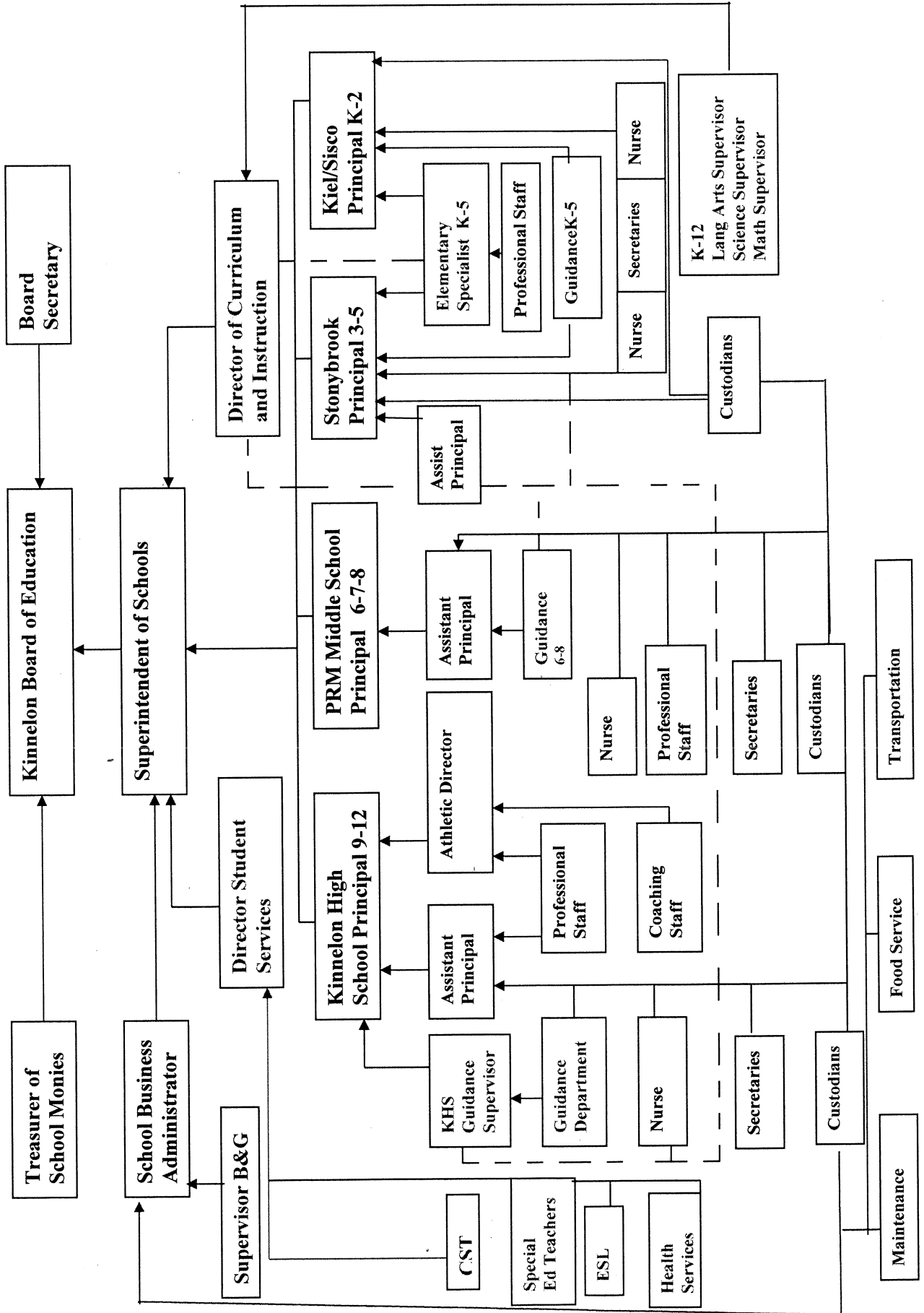
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Kinnelon School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,

  
Diane DiGiuseppe  
Superintendent

  
Kerry A. Keane  
Board Secretary/Business Administrator

KINNELON SCHOOL DISTRICT  
ORGANIZATIONAL CHART



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

ROSTER OF OFFICIALS  
JUNE 30, 2018

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Marianne DeAlessi	President	2020
Dr. Marcy Pryor	Vice President	2019
Jason DeAlessi	Member	2019
Jemi Gillen-Ruth	Member	2018
Susan Nogaj-Matteson	Member	2019
Nathan Nussbaum	Member	2020
Michael Petruccelli	Member	2018

Other Officials

Diane DiGiuseppe, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

# **KINNELON BOARD OF EDUCATION**

## **CONSULTANTS AND ADVISORS**

### **AUDIT FIRM**

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

### **ATTORNEYS**

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

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

### **OFFICIAL DEPOSITORY**

Lakeland Bank  
Route 23 North  
Kinnelon, NJ 07405

**FINANCIAL SECTION**

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable President and Members  
of the Board of Education  
Kinnelon Borough School District  
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### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the post-retirement benefits schedule of funding progress, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

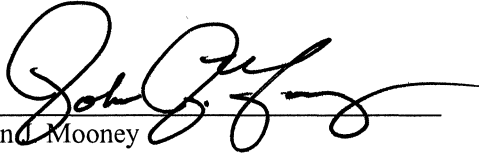
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 18, 2019  
Mount Arlington, New Jersey

*NISIVOCCIA LLP*  
NISIVOCCIA LLP

  
\_\_\_\_\_  
John L. Mooney  
Licensed Public School Accountant #2602  
Certified Public Accountant



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

## **Management Discussion and Analysis** (Unaudited)

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

### **Overview of the Financial Statements**

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

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

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

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

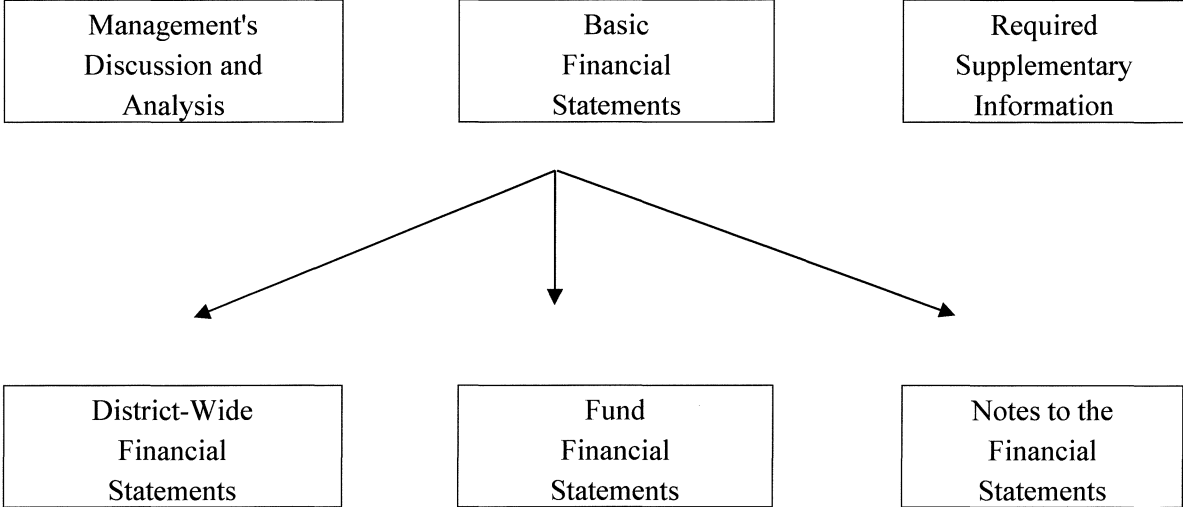


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

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

## ***District-wide Statements***

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

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

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

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

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

## ***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

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

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

### Financial Analysis of the District as a Whole

*Net Position:* The District's *combined* net position was \$13,299,582 on June 30, 2018, \$275,501 or 2.07% less than it was the fiscal year before (See Figure A-3). Net investment in capital assets increased \$2,618,314 due to increases in capital assets, bonded debt paid down and capital leases paid down, offset by current fiscal year depreciation. Restricted net position increased \$857,312 as a result of a net increase in capital reserve and an increase in excess surplus. Unrestricted net position decreased by \$3,751,128 primarily due to the changes in compensated absences payable, net pension liability and deferred inflows and outflows of resources related to pensions, unexpended budget appropriations and an excess in state revenues.

**Figure A-3**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Change
Current and Other Assets	\$ 3,834,373	\$ 3,459,863	\$ 370,895	\$ 329,570	\$ 4,205,268	\$ 3,789,433	
Capital Assets, Net	38,599,803	40,095,392	43,823	56,396	38,643,626	40,151,788	
Total Assets	42,434,176	43,555,255	414,718	385,966	42,848,894	43,941,221	-2.55%
Deferred Outflows of Resources	4,949,128	5,713,851			4,949,128	5,713,851	-15.45%
Other Liabilities	778,739	738,500	15,338	17,088	794,077	755,588	
Long-Term Liabilities	31,428,197	35,320,823			31,428,197	35,320,823	
Total Liabilities	32,206,936	36,059,323	15,338	17,088	32,222,274	36,076,411	-11.96%
Deferred Inflows of Resources	2,276,166	3,578			2,276,166	3,578	99.84%
Net Position:							
Net Investment in Capital Assets	22,277,585	19,646,697	43,823	56,396	22,321,408	19,703,093	
Restricted	2,153,249	1,295,937			2,153,249	1,295,937	
Unrestricted/(Deficit)	(11,530,632)	(7,736,429)	355,557	312,482	(11,175,075)	(7,423,947)	
Total Net Position	\$ 12,900,202	\$ 13,206,205	\$ 399,380	\$ 368,878	\$ 13,299,582	\$ 13,575,083	-2.07%

*Changes in net position:* The District's *combined* net position decreased \$275,501 or 2.07%. Net position from governmental activities decreased by \$306,003 and net position from business-type activities increased by \$30,502 (See Figure A-4).

**Figure A-4**  
**Changes in Net Position from Operating Results**

	Governmental Activities 2017/18	Business-Type Activities 2017/18	Total School District 2017/18	Governmental Activities 2016/17	Business-Type Activities 2016/17	Total School District 2016/17	Percentage Change 2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 65,469	\$ 805,552	\$ 871,021	\$ 92,001	\$ 807,114	\$ 899,115	
Operating Grants and Contributions							
	16,195,716	90,196	16,285,912	14,824,450	79,498	14,903,948	
General Revenue:							
Property Taxes	37,515,615		37,515,615	36,514,352		36,514,352	
Other	168,724	666	169,390	257,978	546	258,524	
<b>Total Revenue</b>	<b>53,945,524</b>	<b>896,414</b>	<b>54,841,938</b>	<b>51,688,781</b>	<b>887,158</b>	<b>52,575,939</b>	<b>4.31%</b>
Expenses:							
Instruction	30,080,360		30,080,360	29,844,092		29,844,092	
Pupil and Instruction Services							
	10,845,600		10,845,600	10,007,899		10,007,899	
Administrative and Business							
	4,691,126		4,691,126	4,754,574		4,754,574	
Maintenance and Operations							
	4,554,839		4,554,839	4,078,236		4,078,236	
Transportation	2,220,667		2,220,667	2,195,396		2,195,396	
Other	1,858,935	859,648	2,718,583	1,215,087	863,517	2,078,604	
<b>Total Expenses</b>	<b>54,251,527</b>	<b>859,648</b>	<b>55,111,175</b>	<b>52,095,284</b>	<b>863,517</b>	<b>52,958,801</b>	<b>4.06%</b>
Other Item - Disposal of Capital Assets							
		(6,264)	(6,264)				-100.00%
Increase/(Decrease) in Net Position							
	\$ (306,003)	\$ 30,502	\$ (275,501)	\$ (406,503)	\$ 23,641	\$ (382,862)	28.04%

***Governmental Activities***

As discussed elsewhere in this commentary, the financial position of the District decreased. This was mostly attributable to the increased costs of maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils, offset by a significant decrease in the net pension liability of the District in the current year. The District is also faced with significant increases in health benefit costs.

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

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

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

Figure A-5 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-5**  
**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017/18	2017/18	2016/17	2016/17
Instruction	\$ 30,080,360	\$ 18,641,296	\$29,844,092	\$19,225,843
Pupil and Instruction Services	10,845,600	7,557,995	10,007,899	7,095,073
Administrative and Business	4,691,126	3,465,362	4,754,574	3,621,205
Maintenance and Operations	4,554,839	4,489,206	4,078,236	4,078,236
Transportation	2,220,667	1,977,548	2,195,396	1,943,389
Other	1,858,935	1,858,935	1,215,087	1,215,087
	<u>\$ 54,251,527</u>	<u>\$ 37,990,342</u>	<u>\$52,095,284</u>	<u>\$37,178,833</u>

***Business-Type Activities***

Net position from the District's business-type activities increased by the net amount of \$30,502, comprised of a \$58,018 increase in the Enrichment program and a \$27,516 decrease in the Food Service program (Refer to Figure A-4).

**Financial Analysis of the District's Funds**

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

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

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

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

***General Fund Budgetary Highlights***

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



**Capital Asset and Long-Term Liabilities**

**Figure A-6  
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Change 2017/18
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	
Buildings and Building Improvements	37,788,193	39,207,147			37,788,193	39,207,147	
Machinery and Equipment	765,800	842,435	\$ 43,823	\$ 56,396	809,623	898,831	
Total Capital Assets (net of Depreciation)	<u>\$ 38,599,803</u>	<u>\$ 40,095,392</u>	<u>\$ 43,823</u>	<u>\$ 56,396</u>	<u>\$ 38,643,626</u>	<u>\$ 40,151,788</u>	-3.76%

The District's capital assets decreased by \$1,508,162. Total depreciation was \$1,316,251 and disposals, net of depreciation, were \$464,517, offset by capital acquisitions of \$272,606.

**Long-term Liabilities**

At year-end, the District had \$31,428,197 in general obligation bonds and other long-term liabilities outstanding as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Figure A-7  
Long-Term Liabilities**

	Total School District		Percentage
	2017/18	2016/17	Change 2017/18
General Obligation Bonds (Financed with Property Taxes)	\$ 16,950,000	\$ 18,360,000	
Unamortized Bond Premium	1,722,142	1,871,086	
Net Pension Liability	11,326,970	13,644,203	
Compensated Absences	1,264,289	1,227,925	
Capital Leases	164,796	217,609	
	<u>\$ 31,428,197</u>	<u>\$ 35,320,823</u>	-11.02%

At year-end, the District had \$31,428,197 in general obligation bonds and other long-term liabilities outstanding as shown in Figure A-7, a decrease of \$3,892,626 from the previous year. The District paid down \$1,410,000 of bonds and \$52,813 of capital leases, amortized \$148,944 of bond premiums and its net pension liability decreased by \$2,317,233, offset by a net increase in compensated absences of \$36,364. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

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

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

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

## **Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

KINNELON BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,207,387	\$ 351,224	\$ 1,558,611
Receivables from Other Governments	636,553	4,077	640,630
Other Receivables	22,148		22,148
Internal Balances	(10,607)	10,607	
Interfund Receivable	4,010		4,010
Inventory		4,987	4,987
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,974,882		1,974,882
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	38,553,993	43,823	38,597,816
Total Assets	42,434,176	414,718	42,848,894
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Amount on Refunding	792,578		792,578
Deferred Outflows of Resources Related to Pensions	4,156,550		4,156,550
Total Deferred Outflows of Resources	4,949,128		4,949,128
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued Interest Payable	264,633		264,633
Accounts Payable	488,289		488,289
Payable to State Government	1,176		1,176
Payable to Federal Government	453		453
Unearned Revenue	24,188	15,338	39,526
Noncurrent Liabilities:			
Due Within One Year	1,157,803		1,157,803
Due Beyond One Year	30,270,394		30,270,394
Total Liabilities	32,206,936	15,338	32,222,274
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows of Resources Related to Pensions	2,276,166		2,276,166
Total Deferred Inflows of Resources	2,276,166		2,276,166
<b>NET POSITION</b>			
Net Investment in Capital Assets	22,277,585	43,823	22,321,408
Restricted for:			
Capital Projects	1,974,882		1,974,882
Excess Surplus	178,367		178,367
Unrestricted/(Deficit)	(11,530,632)	355,557	(11,175,075)
Total Net Position	\$ 12,900,202	\$ 399,380	\$ 13,299,582

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

KINNELON BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction:							
Regular	\$ 21,601,378	\$ 65,469	\$ 7,189,754		\$ (14,346,155)		\$ (14,346,155)
Special Education	6,282,372		3,873,711		(2,408,661)		(2,408,661)
Other Special Instruction	910,277		310,130		(600,147)		(600,147)
Other Instruction	1,286,333				(1,286,333)		(1,286,333)
Support services:							
Tuition	1,653,250		379,999		(1,273,251)		(1,273,251)
Student & Instruction Related Services	9,192,350		2,907,606		(6,284,744)		(6,284,744)
General Administrative Services	807,556		169,091		(638,465)		(638,465)
School Administrative Services	3,180,534		1,056,673		(2,123,861)		(2,123,861)
Central Services	561,776				(561,776)		(561,776)
Administrative Information Technology	141,260				(141,260)		(141,260)
Plant Operations and Maintenance	4,554,839		65,633		(4,489,206)		(4,489,206)
Pupil Transportation	2,220,667		243,119		(1,977,548)		(1,977,548)
Interest on Long-Term Debt	701,028				(701,028)		(701,028)
Unallocated Depreciation	1,157,907				(1,157,907)		(1,157,907)
Total Governmental Activities	54,251,527	65,469	16,195,716		(37,990,342)	\$ -0-	(37,990,342)

KINNELON BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Business-Type Activities:</u>							
Food Service	\$ 615,889	\$ 504,441	\$ 90,196		\$ (21,252)	\$ (21,252)	
Enrichment Program	243,759	301,111			57,352	57,352	
Total Business-Type Activities	859,648	805,552	90,196		36,100	36,100	36,100
Total Primary Government	\$ 55,111,175	\$ 871,021	\$ 16,285,912	\$ -0-	\$ (37,990,342)	36,100	\$ (37,954,242)

General Revenues and Other Item:

Taxes:							
Property Taxes, Levied for General Purposes, Net					35,415,067		35,415,067
Taxes Levied for Debt Service					2,100,548		2,100,548
Investment Earnings					7,904	666	8,570
Miscellaneous Income					160,820		160,820
Other Item - Disposal of Capital Assets						(6,264)	(6,264)
Total General Revenue and Other Item					37,684,339	(5,598)	37,678,741
Change in Net Position					(306,003)	30,502	(275,501)
Net Position - Beginning					13,206,205	368,878	13,575,083
Net Position - Ending					\$ 12,900,202	\$ 399,380	\$ 13,299,582

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

**FUND FINANCIAL STATEMENTS**



KINNELON BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,207,387		\$ 1,207,387
Receivables From State Government	617,399		617,399
Receivables From Federal Government	240	\$ 18,914	19,154
Other Receivables		22,148	22,148
Interfunds Receivable	19,255		19,255
Restricted Cash and Cash Equivalents	1,974,882		1,974,882
<b>Total Assets</b>	<b>\$ 3,819,163</b>	<b>\$ 41,062</b>	<b>\$ 3,860,225</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payable to State Government		\$ 1,176	\$ 1,176
Payable to Federal Government		453	453
Interfund Payable	\$ 10,607	15,245	25,852
Unearned Revenue		24,188	24,188
<b>Total Liabilities</b>	10,607	41,062	51,669
Fund Balances:			
Restricted for:			
Capital Reserve	1,974,882		1,974,882
Excess Surplus - Current Year	178,367		178,367
Assigned:			
Designated For Subsequent Year's Expenditures	40,000		40,000
Year-end Encumbrances	785,275		785,275
Unassigned	830,032		830,032
<b>Total Fund Balances</b>	3,808,556		3,808,556
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,819,163</b>	<b>\$ 41,062</b>	

Amounts reported for Governmental Activities in the Statement of Net Positions (A-1) are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	\$ 38,599,803
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt.	(1,722,142)
Deferred amount on refunding is not reported as an expense in the Governmental Funds in the year of expense.	792,578
Accrued liability for interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(264,633)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(11,326,970)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows of Resources Related to Pensions, Excluding Contribution Subsequent to Measurement Date	3,668,261
Deferred Inflows of Resources Related to Pensions	(2,276,166)
Other Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	(18,379,085)
<b>Net Position of Governmental Activities</b>	<b>\$ 12,900,202</b>

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

KINNELON BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 35,415,067		\$ 2,100,548	\$ 37,515,615
Tuition	65,469			65,469
Interest Earned	7,904			7,904
Miscellaneous	160,820	\$ 43,409		204,229
Total - Local Sources	35,649,260	43,409	2,100,548	37,793,217
State Sources	7,589,772	3,836	65,633	7,659,241
Federal Sources	4,790	460,446		465,236
Total Revenue	43,243,822	507,691	2,166,181	45,917,694
EXPENDITURES:				
Current:				
Regular Instruction	11,784,348	45,402		11,829,750
Special Education Instruction	3,394,516	50,721		3,445,237
Other Special Instruction	489,767			489,767
Other Instruction	953,095			953,095
Support Services and Undistributed Costs:				
Tuition	1,273,251	379,999		1,653,250
Student & Instruction Related Services	5,211,897	31,569		5,243,466
General Administrative Services	573,271			573,271
School Administrative Services	1,757,041			1,757,041
Central Services	397,151			397,151
Administrative Information Technology	97,240			97,240
Plant Operations and Maintenance	3,013,419			3,013,419
Pupil Transportation	2,167,212			2,167,212
Unallocated Benefits	11,044,224			11,044,224
Debt Service:				
Principal			1,410,000	1,410,000
Interest and Other Charges			756,181	756,181
Capital Outlay	723,810			723,810
Total Expenditures	42,880,242	507,691	2,166,181	45,554,114
Excess of Revenue Over Expenditures	363,580			363,580
Fund Balance — July 1	3,444,976			3,444,976
Fund Balance — June 30	\$ 3,808,556	\$ -0-	\$ -0-	\$ 3,808,556

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

KINNELON BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2)		
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		\$ 363,580
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deletions exceeded capital outlays.</p>		
	Depreciation expense	\$ (1,306,342)
	Capital outlays	269,006
	Adjustments	<u>(458,253)</u>
		(1,495,589)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		1,410,000
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(36,364)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		11,750
Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		52,813
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		2,317,233
Change in Deferred Outflows of Resources Related to Pensions		(700,241)
Change in Deferred Inflows of Resources Related to Pensions		(2,272,588)
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.		(105,541)
The governmental funds report the effect of a bond premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (+)		<u>148,944</u>
Change in Net Position of Governmental Activities		<u>\$ (306,003)</u>

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

KINNELON BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		<u>Total</u>
	<u>Food</u>	<u>Enrichment</u>	<u>Enterprise</u>
	<u>Service</u>	<u>Program</u>	<u>Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 33,706	\$ 317,518	\$ 351,224
Accounts Receivable:			
Federal	3,775		3,775
State	302		302
Interfund Receivable	10,607		10,607
Inventories	4,987		4,987
Total Current Assets	<u>53,377</u>	<u>317,518</u>	<u>370,895</u>
Non-Current Assets:			
Capital Assets	396,881		396,881
Less: Accumulated Depreciation	<u>(353,058)</u>		<u>(353,058)</u>
Total Non-Current Assets	<u>43,823</u>		<u>43,823</u>
Total Assets	<u>97,200</u>	<u>317,518</u>	<u>414,718</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Unearned Revenue - Prepaid Sales	13,708		13,708
Unearned Revenue - Donated Commodities	<u>1,630</u>		<u>1,630</u>
Total Current Liabilities	<u>15,338</u>		<u>15,338</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	43,823		43,823
Unrestricted	<u>38,039</u>	<u>317,518</u>	<u>355,557</u>
Total Net Position	<u>\$ 81,862</u>	<u>\$ 317,518</u>	<u>\$ 399,380</u>

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

KINNELON BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 254,109		\$ 254,109
Daily Sales - Non-Reimbursable Programs	250,332		250,332
Program Fees		\$ 301,111	301,111
Total Operating Revenue	<u>504,441</u>	<u>301,111</u>	<u>805,552</u>
Operating Expenses:			
Reimbursable Cost of Sales	170,852		170,852
Non-Reimbursable Cost of Sales	124,468		124,468
Salaries, Benefits & Payroll Taxes	254,282	193,442	447,724
Employee Benefits		10,183	10,183
Management Fee	16,270		16,270
Professional and Technical Services	175		175
Depreciation Expense	9,909		9,909
Supplies and Materials	1,848	23,583	25,431
Administrative Expense	38,085	16,551	54,636
Total Operating Expenses	<u>615,889</u>	<u>243,759</u>	<u>859,648</u>
Operating Income/(Loss)	(111,448)	57,352	(54,096)
Non-Operating Income:			
Local Sources:			
Interest Income		666	666
State Sources:			
State School Lunch Program	4,083		4,083
Federal Sources:			
National School Lunch Program	54,056		54,056
Food Distribution Program	32,057		32,057
Total Non-Operating Income	<u>90,196</u>	<u>666</u>	<u>90,862</u>
Net Income Before Other Item	(21,252)	58,018	36,766
Other Item - Disposal of Capital Assets, Net	(6,264)		(6,264)
Change in Net Position	(27,516)	58,018	30,502
Net Position - Beginning of Year	<u>109,378</u>	<u>259,500</u>	<u>368,878</u>
Net Position - End of Year	<u>\$ 81,862</u>	<u>\$ 317,518</u>	<u>\$ 399,380</u>

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

KINNELON BOROUGH SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,038	\$ 301,111	\$ 805,149
Payments to Employees	(254,282)	(193,442)	(447,724)
Payments for Benefits		(10,183)	(10,183)
Payments to Suppliers	(313,859)	(23,583)	(337,442)
Payments for Administrative Expenses		(16,551)	(16,551)
Net Cash Provided by/(Used for) Operating Activities	(64,103)	57,352	(6,751)
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	(3,600)		(3,600)
Net Cash Flows Used for Capital Financing Activities	(3,600)		(3,600)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	54,062		54,062
Net Cash Provided by Noncapital Financing Activities	54,062	-0-	54,062
Cash Flows from Investing Activities:			
Investment Income		666	666
Net Cash Flows Provided by Investing Activities		666	666
Net Increase/(Decrease) in Cash and Cash Equivalents	(13,641)	58,018	44,377
Cash and Cash Equivalents, July 1	47,347	259,500	306,847
Cash and Cash Equivalents, June 30	<u>\$ 33,706</u>	<u>\$ 317,518</u>	<u>\$ 351,224</u>
Reconciliation of Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (111,448)	\$ 57,352	\$ (54,096)
Adjustment to Reconcile Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	32,057		32,057
Depreciation Expense	9,909		9,909
Changes in Assets and Liabilities:			
Decrease in Inventory	7,129		7,129
(Decrease) in Prepaid Sales	(565)		(565)
(Decrease) in Unearned Revenue	(1,185)		(1,185)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (64,103)</u>	<u>\$ 57,352</u>	<u>\$ (6,751)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$30,872 and utilized \$32,057 for the fiscal year ended June 30, 2018.

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

KINNELON BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 153,803	\$ 16,187	\$ 249,082	\$ 288,085
Total Assets	<u>153,803</u>	<u>16,187</u>	<u>249,082</u>	<u>288,085</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings				1,080
Interfund Payable General Fund				4,010
Due to Student Groups				282,995
Total Liabilities				<u>288,085</u>
<u>NET POSITION:</u>				
Held in Trust for:				
Flexible Spending Claims		16,187		
Unemployment Claims	153,803			
Restricted for Scholarships			249,082	
Total Net Position	<u>\$ 153,803</u>	<u>\$ 16,187</u>	<u>\$ 249,082</u>	<u>\$ -0-</u>

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

KINNELON BOROUGH SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
<b>ADDITIONS:</b>				
Contributions:				
Plan Members	\$ 64,218	\$ 32,193		\$ 96,411
Donations			\$ 61,000	61,000
Total Contributions	64,218	32,193	61,000	157,411
Investment Earnings:				
Interest	282	2	385	669
Total Investment Earnings	282	2	385	669
Total Additions	64,500	32,195	61,385	158,080
<b>DEDUCTIONS:</b>				
Flexible Spending Claims		37,671		37,671
Unemployment Compensation Claims	49,349			49,349
Scholarships Awarded			73,500	73,500
Total Deductions	49,349	37,671	73,500	160,520
Change in Net Position	15,151	(5,476)	(12,115)	(2,440)
Net Position - Beginning of the Year	138,652	21,663	261,197	421,512
Net Position - End of the Year	<u>\$ 153,803</u>	<u>\$ 16,187</u>	<u>\$ 249,082</u>	<u>\$ 419,072</u>

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



KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements (Cont'd)

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

Fund Financial Statements

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

The District reports the following governmental funds:

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following governmental funds: (Cont'd)

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

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

The District reports the following proprietary funds:

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

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

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

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 43,248,774	\$ 504,703
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		2,988
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	144,771	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(149,723)</u>	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 43,243,822</u>	<u>\$ 507,691</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,880,242	\$ 504,703
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.		<u>2,988</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 42,880,242</u>	<u>\$ 507,691</u>

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

F. Interfund Transactions

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

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

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

G. Allowance for Uncollectible Accounts

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses

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

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

K. Capital Assets

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets (Cont'd)

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2018.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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



KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences (Cont'd)

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$3,808,556 General Fund fund balance at June 30, 2018, \$785,275 is assigned for encumbrances; \$1,974,882 is restricted in the capital reserve account; \$40,000 is assigned and included as anticipated revenue for the fiscal year ending June 30, 2019; \$178,367 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended and will be included as anticipated revenue for the fiscal year ending June 30, 2020; and \$830,032 is unassigned which is \$149,723 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2019.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2018 as outlined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$149,723 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 related to pensions and for the deferred amount on refunding of debt related to the District's refunding bonds. The District had deferred inflows of resources related to pensions at June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position (Cont'd)

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

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

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

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

R. Deficit Net Position

The District's governmental activities has a \$11,530,632 deficit in unrestricted net position, primarily due to the accrual of compensated absences payable, accrued interest payable, unamortized bond issuance premiums, net pension liability and deferred inflows of resources related to pensions, offset by deferred outflows of resources related to pensions and Governmental Funds unassigned and assigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and for subsequent year's expenditures in the General Fund at June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits

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

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

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

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.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

New Jersey statutes permit the Board to purchase the following types of securities: (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
  - (a) the funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) the designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) the designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) on the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

Accounts	Cash and Cash Equivalents	Cash and Cash Equivalents Capital Reserve Account	Total
Checking Accounts	\$ 2,265,768	\$ 1,974,882	\$ 4,240,650

During the period ending June 30, 2018, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$4,240,650 and the bank balance was \$5,978,517.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

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

Beginning balance, July 1, 2017	\$ 1,295,937
Interest Earned	1,336
Increase per Board Resolution	1,067,609
Budgeted Withdrawal	<u>(390,000)</u>
Ending balance, June 30, 2018	<u>\$ 1,974,882</u>

The balance in the capital reserve account at June 30, 2018 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2018 were as follows:

<u>Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	<u>45,810</u>			<u>45,810</u>
Assets Being Depreciated:				
Buildings and Building Improvements	61,011,210	\$ 8,555	\$ (285,362)	60,734,403
Machinery and Equipment	5,610,193	260,451	(263,244)	5,607,400
Total Assets Being Depreciated	<u>66,621,403</u>	<u>269,006</u>	<u>(548,606)</u>	<u>66,341,803</u>
Governmental Activities Capital Assets	<u>66,667,213</u>	<u>269,006</u>	<u>(548,606)</u>	<u>66,387,613</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(21,804,063)	(1,142,147)		(22,946,210)
Machinery and Equipment	(4,767,758)	(164,195)	90,353	(4,841,600)
Total Accumulated Depreciation	<u>(26,571,821)</u>	<u>(1,306,342)</u>	<u>90,353</u>	<u>(27,787,810)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 40,095,392</u>	<u>\$ (1,037,336)</u>	<u>\$ (458,253)</u>	<u>\$ 38,599,803</u>

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital assets balances and activity for the year ended June 30, 2018 were as follows: (Cont'd)

<u>Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-Type Activities:				
Machinery and Equipment	\$ 407,541	\$ 3,600	\$ (14,260)	\$ 396,881
Less: Accumulated Depreciation	(351,145)	(9,909)	7,996	(353,058)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 56,396</u>	<u>\$ (6,309)</u>	<u>\$ (6,264)</u>	<u>\$ 43,823</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
Regular Instruction	\$ 45,220
General Administrative Services	4,981
Plant Operations and Maintenance	13,791
Pupil Transportation	84,443
Unallocated	1,157,907
Total Depreciation Expense	<u>\$ 1,306,342</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District made transfers to capital outlay accounts of \$384,018; \$323,067 for equipment which did not require County Superintendent approval and \$60,951 for facilities acquisition and construction services for which County Superintendent approval was obtained.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance June 30, 2017</u>	<u>Issued/ Accrued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
Serial Bonds Payable	\$ 18,360,000		\$ 1,410,000	\$ 16,950,000
Unamortized Bond Premium	1,871,086		148,944	1,722,142
Net Pension Liability	13,644,203		2,317,233	11,326,970
Compensated Absences	1,227,925	\$ 163,043	126,679	1,264,289
Capital Leases	217,609		52,813	164,796
Total	<u>\$ 35,320,823</u>	<u>\$ 163,043</u>	<u>\$ 4,055,669</u>	<u>\$ 31,428,197</u>



KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

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

The District had serial bonds outstanding as of June 30, 2018 as follows:

Purpose	Issue Dates	Interest Rates	Final Date of Maturity	Balance June 30, 2018
Refunding Bond of 2002 Issue	9/14/2010	3.00-4.00%	10/1/2023	\$ 5,720,000
Refunding Bond of 2006/2007 Issues	2/10/2015	2.00-5.00%	2/1/2033	11,230,000
				<u>\$ 16,950,000</u>

The current portion of bonds payable at June 30, 2018 is \$955,000 and the long-term portion is \$15,995,000.

Debt service requirements on serial bonds payable at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 955,000	\$ 709,181	\$ 1,664,181
2020	985,000	670,580	1,655,580
2021	995,000	631,481	1,626,481
2022	985,000	597,181	1,582,181
2023	1,005,000	567,496	1,572,496
Thereafter:			
2024-2028	5,305,000	2,319,337	7,624,337
2029-2033	6,720,000	960,351	7,680,351
	<u>\$ 16,950,000</u>	<u>\$ 6,455,607</u>	<u>\$ 23,405,607</u>

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

The District is leasing school buses under a five year capital lease totaling \$273,737 of which \$108,941 has been liquidated as of June 30, 2018. A schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments as of June 30, 2018 is on the following page.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable: (Cont'd)

<u>Year</u>	<u>Amount</u>
2019	\$ 57,122
2020	57,122
2021	<u>57,122</u>
	171,366
Less: Amount representing interest	<u>(6,570)</u>
Present value of net minimum lease payments	<u>\$ 164,796</u>

The current portion of capital leases payable at June 30, 2018 is \$53,859 and the long-term portion is \$110,937. The General Fund will be used to liquidate capital leases payable.

D. Unamortized Bond Premiums:

Unamortized bond premiums are recorded as a long-term liability in the governmental funds. As of June 30, 2018, the current portion of the liability is \$148,944, and the long-term portion is \$1,573,198.

E. Compensated Absences Payable:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The entire \$1,264,289 compensated absences payable balance at June 30, 2018 is long-term. The General Fund will be used to liquidate the Governmental Activities compensated absences payable

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

F. Net Pension Liability:

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$11,326,970 net pension liability at June 30, 2018 is long-term. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> 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<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

District contributions to PERS amounted to \$469,189 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

At June 30, 2018, the District reported a liability of \$11,326,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0487%, which was an increase of 0.0026% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$1,108,770. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:	2014	6.44	\$ 128,492	
	2015	5.72	541,245	
	2016	5.57	1,612,257	
	2017	5.48	<u>                    </u>	\$ 2,273,628
Subtotal			<u>2,281,994</u>	<u>2,273,628</u>
Changes in Proportion:	2014	6.44		2,538
	2015	5.72	281,925	
	2016	5.57	298,857	
	2017	5.48	<u>461,645</u>	
Subtotal			<u>1,042,427</u>	<u>2,538</u>
Difference Between Expected and Actual Experience:	2015	5.72	150,165	
	2016	5.57	48,928	
	2017	5.48	<u>67,618</u>	
Subtotal			<u>266,711</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2014	5.00	(135,731)	
	2015	5.00	115,786	
	2016	5.00	485,474	
	2017	5.00	<u>(388,400)</u>	
Subtotal			<u>77,129</u>	
District Contribution Subsequent to the Measurement Date:	2017	1.00	<u>488,289</u>	
			<u>\$ 4,156,550</u>	<u>\$ 2,276,166</u>

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 266,648
2019	402,378
2020	243,821
2021	(324,282)
2022	(236,359)
	<u>\$ 352,206</u>

Actuarial Assumptions

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

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%

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market 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 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 upon the contribution rate in the most recent fiscal year. 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.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 14,051,876	\$ 11,326,970	\$ 9,056,787

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

Benefits Provided

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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<sup>th</sup> 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<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a 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.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which 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 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$2,449,591 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$7,552,314.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.



KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$109,019,433. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.1617%, which was an increase of 0.0018% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>109,019,433</u>
Total	<u><u>\$ 109,019,433</u></u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$7,552,314 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	8.5 years	\$ 1,383,974,317	
2015	8.3 years	3,776,126,119	
2016	8.3 years	8,218,154,928	
2017	8.3 years		\$ 11,684,858,458
Difference Between Expected and Actual Experience:			
2014	8.5 years		13,181,413
2015	8.3 years	233,218,057	
2016	8.3 years		102,199,790
2017	8.3 years	207,898,332	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years	(435,309,142)	
2015	5 years	385,284,122	
2016	5 years	1,295,565,574	
2017	5 years	(904,033,050)	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

Actuarial Assumptions

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

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

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

Discount Rate – TPAF

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 pension 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 pension 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.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 129,518,506	\$ 109,019,433	\$ 92,132,208

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

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

For DCRP, the District recognized pension expense of \$20,485 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$33,338 for the fiscal year ended June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

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

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

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

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%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 89,596,517	\$ 75,476,893
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
	Total OPEB Liability Attributable to the District	\$ 97,668,730	\$ 81,525,041

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 62,072,448	\$ 75,476,893	\$ 93,277,838
	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 66,893,566	\$ 81,525,041	\$ 101,085,929

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$4,545,630 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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



KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

NOTE 10. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

403(b)

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>➤ Equitable</li> <li>➤ Great West (thru Lincoln Investments)</li> <li>➤ Lincoln National</li> </ul> | <ul style="list-style-type: none"> <li>➤ Metropolitan Life</li> <li>➤ Met Life Investors</li> <li>➤ Valic (AIG)</li> </ul> |
|--|--|

457

- Equitable

NOTE 11. RISK MANAGEMENT

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

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.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance:

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

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

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

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 64,218	\$ 282	\$ 49,349	\$ 153,803
2016-2017	60,302	271	62,633	138,652
2015-2016	57,570	280	66,318	140,712

Property and Liability

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

Selected summarized financial information for the Pooled Insurance Program of New Jersey as of June 30, 2018 is as follows:

<u>Year Ended</u> <u>June 30, 2018</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	<u>\$ 20,370,655</u>
Net Position	<u>\$ 9,734,872</u>
Total Revenue	<u>\$ 7,318,956</u>
Total Expenses and Adjustments	<u>\$ 5,707,675</u>
Member Dividends	<u>\$ 1,402,434</u>
Change in Net Position	<u>\$ 208,847</u>

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

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

NOTE 12. TAX CALENDAR

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

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2018, if any, is unknown.

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds. ✓

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 785,275	\$ 19,139	\$ 804,414

On the District's Governmental Fund Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$19,139 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 14. ECONOMIC DEPENDENCY

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables as of June 30, 2018.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 19,255	\$ 10,607
Special Revenue Fund		15,245
Enterprise Fund - Food Service	10,607	
Fiduciary Fund - Payroll Agency		4,010
	\$ 29,862	\$ 29,862

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

NOTE 16. OPERATING LEASES PAYABLE

The District has commitments to lease copiers under two five-year operating leases which expire in the fiscal years 2020-21 and 2021-22. Future minimum lease payments are as follows:

Year Ending	Amount
June 30, 2019	\$ 83,316
June 30, 2020	83,316
June 30, 2021	68,044
June 30, 2022	31,250
Total future minimum lease payments	\$265,926

NOTE 17. ACCOUNTS PAYABLE

Payables as of June 30, 2018 were as follows:

	District Contribution Subsequent to Measurement Date	Total Governmental Activities
Due to State of New Jersey	\$ 488,289	\$ 488,289

**SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0406411768%	0.0437210765%	0.0460686155%	0.0486587120%
District's Proportionate Share of the Net Pension Liability	\$ 7,609,140	\$ 9,814,506	\$ 13,644,203	\$ 11,326,970
District's Covered Employee Payroll	\$ 2,986,913	\$ 3,155,047	\$ 3,306,119	\$ 3,307,672
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	254.75%	311.07%	412.70%	342.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 327,943	\$ 375,884	\$ 409,267	\$ 469,189
Contributions in relation to the Contractually Required Contribution	(327,943)	(375,884)	(409,267)	(469,189)
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 2,845,913	\$ 2,986,913	\$ 3,155,047	\$ 3,306,119
Contributions as a percentage of Covered Employee Payroll	11.52%	12.58%	12.97%	14.19%

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



KINNELON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's Proportion of the Net Pension Liability attributable to the District	0.1627893584%	0.1573076996%	0.1598515577%	0.1616932703%
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 84,305,810	\$ 99,425,184	\$ 125,749,413	\$ 109,019,433
District's Covered Employee Payroll	\$ 16,179,613	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034
State's Proportionate Share of the Net Pension Liability attributable to the District as a percentage of the District's Covered Employee Payroll	521.06%	601.64%	744.92%	646.42%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%

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

KINNELON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 4,536,444	\$ 6,070,803	\$ 9,448,319	\$ 7,552,314
Contributions in relation to the Contractually Required Contribution	(793,383)	(1,219,106)	(1,755,138)	(2,449,591)
Contribution Deficiency/(Excess)	<u>\$ 3,743,061</u>	<u>\$ 4,851,697</u>	<u>\$ 7,693,181</u>	<u>\$ 5,102,723</u>
District's Covered Employee Payroll	\$ 16,179,613	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034
Contributions as a percentage of Covered Employee Payroll	28.04%	36.74%	55.97%	44.78%

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

KINNELON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	5.00%	3.98%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	3.08%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	4.25%	3.22%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	2.50%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**BUDGETARY COMPARISON SCHEDULES**

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 35,415,067		\$ 35,415,067	\$ 35,415,067	
Tuition from Other LEAs Within the State	93,400		93,400	53,469	\$ (39,931)
Tuition from Individuals	10,000		10,000	12,000	2,000
Interest Revenue				6,568	6,568
Interest Revenue - Capital Reserve				1,336	1,336
Miscellaneous	177,500		177,500	160,820	(16,680)
<b>Total - Local Sources</b>	<b>35,695,967</b>		<b>35,695,967</b>	<b>35,649,260</b>	<b>(46,707)</b>
State Sources:					
Transportation Aid	221,731		221,731	221,731	
Special Education Aid	1,059,620		1,059,620	1,127,229	67,609
Security Aid	164,769		164,769	164,769	
PARCC Readiness Aid	20,185		20,185	20,185	
Per Pupil Growth Aid	20,185		20,185	20,185	
Professional Learning Community Aid	19,330		19,330	19,330	
Extraordinary Aid	349,999		349,999	559,786	209,787
Nonpublic School Transportation Costs				21,170	21,170
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				2,449,591	2,449,591
Post-Retirement Medical Benefits (Non-Budgeted)				1,620,533	1,620,533
Non-Contributory Insurance (Non-Budgeted)				59,445	59,445
Long-Term Disability Insurance (Non-Budgeted)				2,459	2,459
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,308,311	1,308,311
<b>Total State Sources</b>	<b>1,855,819</b>		<b>1,855,819</b>	<b>7,594,724</b>	<b>5,738,905</b>
Federal Sources:					
Medicaid Reimbursement (SEMI)	12,077		12,077	4,790	(7,287)
<b>Total Federal Sources</b>	<b>12,077</b>		<b>12,077</b>	<b>4,790</b>	<b>(7,287)</b>
<b>TOTAL REVENUES</b>	<b>37,563,863</b>		<b>37,563,863</b>	<b>43,248,774</b>	<b>5,684,911</b>

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 342,693	\$ (46,841)	\$ 295,852	\$ 295,849	\$ 3
Grades 1-5 - Salaries of Teachers	3,144,854	77,855	3,222,709	3,222,165	544
Grades 6-8 - Salaries of Teachers	3,036,125	71,122	3,107,247	3,107,238	9
Grades 9-12 - Salaries of Teachers	4,344,202	(70,796)	4,273,406	4,273,405	1
Regular Programs - Home Instruction:					
Salaries of Teachers	57,360	(43,405)	13,955	9,904	4,051
Purchased Professional - Educational Services	72,840	(61,681)	11,159	10,858	301
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	150,920	6,759	157,679	139,149	18,530
Other Purchased Services (400-500 series)	144,862	33,694	178,556	178,171	385
General Supplies	555,226	56,509	611,735	488,936	122,799
Textbooks	78,524	(13,074)	65,450	58,273	7,177
Other Objects	400		400	400	
<b>Total Regular Programs - Instruction</b>	<b>11,928,006</b>	<b>10,142</b>	<b>11,938,148</b>	<b>11,784,348</b>	<b>153,800</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	213,989	1,316	215,305	215,303	2
Other Salaries for Instruction	64,498	(31,901)	32,597	32,538	59
General Supplies	3,350	(1,858)	1,492	1,144	348
<b>Total Learning and/or Language Disabilities</b>	<b>281,837</b>	<b>(32,443)</b>	<b>249,394</b>	<b>248,985</b>	<b>409</b>
Auditory Impairments:					
Salaries of Teachers	5,000	(5,000)			
<b>Total Auditory Impairments</b>	<b>5,000</b>	<b>(5,000)</b>			

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 161,797	\$ 41,414	\$ 203,211	\$ 202,259	\$ 952
Other Salaries for Instruction	182,246	86,304	268,550	268,430	120
General Supplies	2,520	845	3,365	3,101	264
Total Multiple Disabilities	346,563	128,563	475,126	473,790	1,336
Resource Room/Resource Center:					
Salaries of Teachers	2,040,543	(38,299)	2,002,244	2,001,271	973
Other Salaries for Instruction	309,130	(164,380)	144,750	144,235	515
General Supplies	9,651	(1,808)	7,843	7,827	16
Total Resource Room/Resource Center	2,359,324	(204,487)	2,154,837	2,153,333	1,504
Autism:					
Salaries of Teachers	195,799	(20,947)	174,852	174,842	10
Other Salaries for Instruction	135,484	(19,108)	116,376	116,218	158
General Supplies	4,530		4,530	4,229	301
Total Autism	335,813	(40,055)	295,758	295,289	469
Preschool Disabilities - Part-time:					
Salaries of Teachers	120,925	(1,113)	119,812	119,508	304
Other Salaries for Instruction	47,512	1,063	48,575	48,573	2
General Supplies	1,535		1,535	1,503	32
Total Preschool Disabilities - Part-time	169,972	(50)	169,922	169,584	338
Home Instruction:					
Salaries of Teachers		45,049	45,049	45,047	2
Purchased Professional - Educational Services		8,800	8,800	8,488	312
Total Home Instruction		53,849	53,849	53,535	314



KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Total Special Education Instruction	\$ 3,498,509	\$ (99,623)	\$ 3,398,886	\$ 3,394,516	\$ 4,370
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	435,998	11,771	447,769	447,768	1
General Supplies	1,940	(1,022)	918	859	59
Total Basic Skills/Remedial - Instruction	437,938	10,749	448,687	448,627	60
Bilingual Education - Instruction:					
Salaries of Teachers	41,168		41,168	41,140	28
General Supplies	200	(200)			
Total Bilingual Education - Instruction	41,368	(200)	41,168	41,140	28
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	189,086	21,403	210,489	210,459	30
Supplies and Materials	13,350	(6,161)	7,189	7,062	127
Other Objects	11,242	9,122	20,364	11,428	8,936
Total School-Sponsored Cocurricular Activities - Instruction	213,678	24,364	238,042	228,949	9,093
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	498,665	(14,861)	483,804	481,852	1,952
Purchased Services (300-500 series)	156,858	(25,856)	131,002	111,620	19,382
Supplies and Materials	114,950	(4,614)	110,336	99,372	10,964
Other Objects	53,565	(24,565)	29,000	28,641	359
Transfer to Cover Deficit (Agency Fund)		3,040	3,040	2,661	379
Total School-Sponsored Cocurricular Athletics - Instruction	824,038	(66,856)	757,182	724,146	33,036
Total Instruction	16,943,537	(121,424)	16,822,113	16,621,726	200,387

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 359,896	\$ (91,251)	\$ 268,645	\$ 227,983	\$ 40,662
Tuition to County Vocational Schools - Regular	40,000	99,873	139,873	139,138	735
Tuition to County Vocational Schools - Special	49,300	(20,000)	29,300	28,000	1,300
Tuition to Private Schools for the Handicapped - Within State	1,044,143	(99,349)	944,794	860,077	84,717
Tuition - State Facilities	18,053		18,053	18,053	
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,511,392</b>	<b>(110,727)</b>	<b>1,400,665</b>	<b>1,273,251</b>	<b>127,414</b>
Attendance and Social Work Services:					
Salaries	15,880	2,072	17,952	17,952	
<b>Total Attendance and Social Work Services</b>	<b>15,880</b>	<b>2,072</b>	<b>17,952</b>	<b>17,952</b>	
Health Services:					
Salaries	486,547	23,885	510,432	495,922	14,510
Purchased Professional and Technical Services	25,000	2,415	27,415	27,011	404
Supplies and Materials	10,199	(1,443)	8,756	8,387	369
<b>Total Health Services</b>	<b>521,746</b>	<b>24,857</b>	<b>546,603</b>	<b>531,320</b>	<b>15,283</b>
Other Support Services - Students - Speech OT, PT and Related Services:					
Salaries	486,241	(51,941)	434,300	434,299	1
Purchased Professional - Educational Services	145,900	45,889	191,789	168,040	23,749
Supplies and Materials	8,763	(1,608)	7,155	5,823	1,332
<b>Total Other Support Services - Students - Speech OT, PT and Related Services</b>	<b>640,904</b>	<b>(7,660)</b>	<b>633,244</b>	<b>608,162</b>	<b>25,082</b>
Other Support Services - Students - Extraordinary Services:					
Salaries	543,799	94,501	638,300	634,789	3,511
Purchased Professional - Educational Services	228,428	(7,650)	220,778	214,061	6,717
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>772,227</b>	<b>86,851</b>	<b>859,078</b>	<b>848,850</b>	<b>10,228</b>

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 776,837	\$ 72,274	\$ 849,111	\$ 849,106	\$ 5
Salaries of Secretarial and Clerical Assistants	116,950	(2,208)	114,742	114,742	
Other Purchased Professional and Technical Services	3,450		3,450		3,450
Supplies and Materials	33,865	(7,366)	26,499	23,425	3,074
<b>Total Other Support Services - Students - Guidance</b>	<b>931,102</b>	<b>62,700</b>	<b>993,802</b>	<b>987,273</b>	<b>6,529</b>
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	852,148	(42,266)	809,882	809,212	670
Salaries of Secretarial and Clerical Assistants	97,408	(3,473)	93,935	93,089	846
Purchased Professional - Educational Services	41,275	6,368	47,643	43,393	4,250
Miscellaneous Purchased Services	14,700	(1,472)	13,228	11,206	2,022
Supplies and Materials	23,065	1,048	24,113	22,897	1,216
Other Objects	5,811	(1,048)	4,763	3,580	1,183
<b>Total Other Support Services - Students - Child Study Teams</b>	<b>1,034,407</b>	<b>(40,843)</b>	<b>993,564</b>	<b>983,377</b>	<b>10,187</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	488,909	(12,799)	476,110	476,109	1
Salaries of Other Professional Staff	43,837	159	43,996	43,902	94
Purchased Professional - Educational Services	12,199	62,324	74,523	15,073	59,450
Other Purchased Services (400-500 series)	2,500	231	2,731	2,636	95
Supplies and Materials	6,200	22,889	29,089	4,241	24,848
Other Objects	2,990	10	3,000	3,000	
<b>Total Improvement of Instructional Services</b>	<b>556,635</b>	<b>72,814</b>	<b>629,449</b>	<b>544,961</b>	<b>84,488</b>

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 385,431	\$ (8,695)	\$ 376,736	\$ 376,735	\$ 1
Salaries of Technology Coordinators	212,985	(31,170)	181,815	181,814	1
Supplies and Materials	49,180	(2,277)	46,903	45,754	1,149
Other Objects	3,200	(290)	2,910	2,910	
Total Educational Media Services/School Library	650,796	(42,432)	608,364	607,213	1,151
Instructional Staff Training Services:					
Salaries of Other Professional Staff	15,200	(8,916)	6,284	6,282	2
Purchased Professional - Educational Services	71,700	2,845	74,545	66,363	8,182
Other Purchased Services (400-500 series)	9,300	727	10,027	9,144	883
Supplies and Materials	2,000	4,980	6,980	1,000	5,980
Total Instructional Staff Training Services	98,200	(364)	97,836	82,789	15,047
Support Services - General Administration:					
Salaries	252,003	14,607	266,610	266,563	47
Legal Services	60,000	73,560	133,560	122,923	10,637
Audit Fees	41,450		41,450	36,725	4,725
Other Purchased Professional Services	7,000		7,000	6,485	515
Communications/Telephone	87,800	15,427	103,227	99,610	3,617
BOE Other Purchased Services	3,200	(1,941)	1,259	47	1,212
Miscellaneous Purchased Services (400-500 series)	14,200	4,561	18,761	16,698	2,063
General Supplies	5,850	(2,890)	2,960	2,813	147
Miscellaneous Expenditures	2,000	445	2,445	2,445	
BOE Membership Dues and Fees	19,900	(937)	18,963	18,962	1
Total Support Services - General Administration	493,403	102,832	596,235	573,271	22,964

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,278,963	\$ (1,843)	\$ 1,277,120	\$ 1,277,107	\$ 13
Salaries of Secretarial and Clerical Assistants	386,970	1,947	388,917	388,695	222
Purchased Professional and Technical Services	21,750		21,750	17,332	4,418
Other Purchased Services (400-500 series)	67,520	1,540	69,060	52,496	16,564
Supplies and Materials	17,275	4,112	21,387	10,698	10,689
Other Objects	7,852	3,652	11,504	10,713	791
Total Support Services - School Administration	1,780,330	9,408	1,789,738	1,757,041	32,697
Central Services:					
Salaries	340,025	1,989	342,014	342,012	2
Purchased Professional Services	4,105	1,530	5,635	5,570	65
Purchased Technical Services	26,000	1,497	27,497	27,497	
Miscellaneous Purchased Services (400-500 series)	13,635	(2,188)	11,447	9,466	1,981
Supplies and Materials	7,584	3,770	11,354	9,966	1,388
Other Objects	2,815	(88)	2,727	2,640	87
Total Central Services	394,164	6,510	400,674	397,151	3,523
Administration Information Technology:					
Salaries	57,099	30,918	88,017	88,015	2
Purchased Technical Services	10,000	(11)	9,989	9,225	764
Total Administration Information Technology	67,099	30,907	98,006	97,240	766

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 109,338	\$ 10,828	\$ 120,166	\$ 120,162	\$ 4
Cleaning, Repair and Maintenance Services	191,050	102,580	293,630	268,170	25,460
General Supplies	44,550	(11,490)	33,060	26,345	6,715
Total Required Maintenance of School Facilities	344,938	101,918	446,856	414,677	32,179
Custodial Services:					
Salaries	1,203,827	(82,173)	1,121,654	1,117,760	3,894
Salaries of Non-Instructional Aides	84,498	2,068	86,566	86,015	551
Purchased Professional and Technical Services	40,610	20,057	60,667	58,891	1,776
Cleaning, Repair and Maintenance Services	130,406	(11,924)	118,482	112,966	5,516
Other Purchased Property Services	89,600	496	90,096	78,750	11,346
Insurance	231,000	(18,040)	212,960	212,960	
General Supplies	140,237	(12,052)	128,185	105,491	22,694
Energy (Natural Gas)	181,000	(78,559)	102,441	101,786	655
Energy (Electricity)	425,000	47,952	472,952	414,468	58,484
Other Objects	29,718	(10,968)	18,750	18,195	555
Total Custodial Services	2,555,896	(143,143)	2,412,753	2,307,282	105,471
Care and Upkeep of Grounds:					
Salaries	100,645	20,000	120,645	120,163	482
Cleaning, Repair & Maintenance Services	57,000	5,207	62,207	61,339	868
General Supplies	71,300	7,858	79,158	78,501	657
Total Care and Upkeep of Grounds	228,945	33,065	262,010	260,003	2,007
Security:					
General Supplies	91,400	(12,758)	78,642	31,457	47,185
Total Security	91,400	(12,758)	78,642	31,457	47,185

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Non-Instructional Aides	\$ 12,494	\$ 13,839	\$ 26,333	\$ 26,332	\$ 1
Between Home and School - Regular	490,469	(68,737)	421,732	421,004	728
Cleaning, Repair, & Maintenance Services	65,000	(30,000)	35,000	31,672	3,328
Lease Purchase Payments - School Buses	71,480	(12,922)	58,558	57,121	1,437
Contracted Services:					
Between Home and School - Vendors	815,450	15,416	830,866	830,681	185
Other than Between Home and School - Vendors	122,658	(269)	122,389	54,052	68,337
Special Education - ESC's & CTSA's	555,581	100,060	655,641	624,847	30,794
Aid in Lieu Payments - Nonpublic Students	87,436	(10,000)	77,436	75,663	1,773
Travel		200	200	83	117
Miscellaneous Purchased Services - Transportation	2,800	(200)	2,600	1,523	1,077
General Supplies	65,793	(19,410)	46,383	43,164	3,219
Other Objects	1,060	410	1,470	1,070	400
<b>Total Student Transportation Services</b>	<b>2,290,221</b>	<b>(11,613)</b>	<b>2,278,608</b>	<b>2,167,212</b>	<b>111,396</b>
<b>Unallocated Benefits:</b>					
Social Security Contributions	455,940	12,130	468,070	468,069	1
Other Retirement Contributions - PERS	447,230	21,978	469,208	469,189	19
Other Retirement Contributions - Regular		20,485	20,485	20,485	
Unemployment Compensation	7,000		7,000		7,000
Workmen's Compensation	155,500	25,511	181,011	174,043	6,968
Health Benefits	5,189,782	(411,109)	4,778,673	4,217,612	561,061
Tuition Reimbursement	157,950	(15,440)	142,510	126,974	15,536
Other Employee Benefits	136,150	(135,316)	834	834	
Unused Sick Payment to Terminated/Retired Staff	71,906	54,773	126,679	126,679	
<b>Total Unallocated Benefits</b>	<b>6,621,458</b>	<b>(426,988)</b>	<b>6,194,470</b>	<b>5,603,885</b>	<b>590,585</b>

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)			\$ 2,449,591	\$ 2,449,591	\$ (2,449,591)
Post-Retirement Medical Benefits (Non-Budgeted)			1,620,533	1,620,533	(1,620,533)
Non-Contributory Insurance (Non-Budgeted)			59,445	59,445	(59,445)
Long-Term Disability Insurance (Non-Budgeted)			2,459	2,459	(2,459)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			1,308,311	1,308,311	(1,308,311)
Total On-Behalf and Reimbursed TPAF Contributions			5,440,339	5,440,339	(5,440,339)
Total Personal Services - Employee Benefits	\$ 6,621,458	\$ (426,988)	\$ 6,194,470	11,044,224	(4,849,754)
Total Undistributed Expenses	21,601,143	(262,594)	21,338,549	25,534,706	(4,196,157)
<b>TOTAL CURRENT EXPENSE</b>	<b>38,544,680</b>	<b>(384,018)</b>	<b>38,160,662</b>	<b>42,156,432</b>	<b>(3,995,770)</b>
<b>CAPITAL OUTLAY</b>					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	4,400	(656)	3,744	3,744	
Grades 6-8	7,497	(6,149)	1,348	1,348	
Grades 9-12	8,500	60,320	68,820	13,636	55,184
Undistributed Expenditures:					
Instructional Staff	50,000	(50,000)			
Required Maintenance for School Facilities	74,863	82,799	157,662	49,131	108,531
Custodial Services	152,470		152,470	140,496	11,974
Security	57,955	122,779	180,734	51,113	129,621
Student Transportation		113,974	113,974	113,974	
Total Equipment	355,685	323,067	678,752	373,442	305,310



KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 11,760	\$ 13,825	\$ 25,585	\$ 21,493	\$ 4,092
Supplies and Materials	40,000	(40,000)			
Infrastructure	218,000	87,126	305,126	270,792	34,334
Other Objects - Debt Service Assessment	58,083		58,083	58,083	
Total Facilities Acquisition and Construction Services	327,843	60,951	388,794	350,368	38,426
TOTAL CAPITAL OUTLAY	683,528	384,018	1,067,546	723,810	343,736
TOTAL EXPENDITURES	39,228,208		39,228,208	42,880,242	(3,652,034)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,664,345)		(1,664,345)	368,532	2,032,877
Fund Balance, July 1	3,589,747		3,589,747	3,589,747	
Fund Balance, June 30	\$ 1,925,402	\$ -0-	\$ 1,925,402	\$ 3,958,279	\$ 2,032,877
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1,974,882	
Excess Surplus - Current Year				178,367	
Assigned:					
Year-end Encumbrances				785,275	
For Subsequent Year's Expenditures				40,000	
Unassigned				979,755	
				3,958,279	
Reconciliation to Governmental Funds Statements (GAAP):				(149,723)	
June State Aid Payments not recognized on GAAP Basis					
Fund Balance per Governmental Fund on (Exhibit B-2)				\$ 3,808,556	

KINNELON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 5,012		\$ 5,012	\$ 3,836	\$ (1,176)
Federal Sources	486,325		486,325	460,602	(25,723)
Local Sources	44,315		44,315	40,265	(4,050)
Total Revenues	<u>535,652</u>		<u>535,652</u>	<u>504,703</u>	<u>(30,949)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	44,840	\$ (1,225)	43,615	30,029	13,586
Tuition	381,863		381,863	381,863	
General Supplies	19,818	5,823	25,641	25,456	185
Textbooks	1,041		1,041		1,041
Other Objects	44,315		44,315	40,265	4,050
Total Instruction	<u>491,877</u>	<u>4,598</u>	<u>496,475</u>	<u>477,613</u>	<u>18,862</u>
Support Services:					
Personal Services - Employee Benefits	5,733		5,733	3,303	2,430
Purchased Professional and Technical Services	16,478	(7,799)	8,679	4,583	4,096
Other Purchased Services	15,614	(2,406)	13,208	11,010	2,198
Supplies and Materials	5,950	5,607	11,557	8,194	3,363
Total Support Services	<u>43,775</u>	<u>(4,598)</u>	<u>39,177</u>	<u>27,090</u>	<u>12,087</u>
Total Expenditures	<u>535,652</u>		<u>535,652</u>	<u>504,703</u>	<u>30,949</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

KINNELON BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 43,248,774	\$ 504,703
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		2,988
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	144,771	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(149,723)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 43,243,822	\$ 507,691
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 42,880,242	\$ 504,703
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.		2,988
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 42,880,242	\$ 507,691

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2018, were submitted to the County office and were approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

KINNELON BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

KINNELON BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act		IDEA Part B	
	Title I	Title IIA	Basic	Preschool
<b>REVENUE:</b>				
State Sources				
Federal Sources	\$ 40,268	\$ 20,094	\$ 383,863	\$ 16,377
Local Sources				
<b>Total Revenue</b>	\$ 40,268	\$ 20,094	\$ 383,863	\$ 16,377
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers	\$ 13,367	\$ 3,588		\$ 13,074
Tuition			\$ 381,863	
General Supplies	21,463		2,000	
Other Objects				
<b>Total Instruction</b>	34,830	3,588	383,863	13,074
Support Services:				
Personal Service - Employee Benefit				3,303
Purchased Professional and Technical Services	125	2,615		
Other Purchased Services	4,494	6,516		
Supplies and Materials	819	7,375		
<b>Total Support Services</b>	5,438	16,506		3,303
<b>Total Expenditures</b>	\$ 40,268	\$ 20,094	\$ 383,863	\$ 16,377

KINNELON BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Public Nursing	Non-Public Security	Non-Public Technology	Local Grants	Totals June 30, 2018
REVENUE:					
State Sources	\$ 1,843	\$ 1,290	\$ 703		\$ 3,836
Federal Sources					460,602
Local Sources				\$ 40,265	40,265
Total Revenue	<u>\$ 1,843</u>	<u>\$ 1,290</u>	<u>\$ 703</u>	<u>\$ 40,265</u>	<u>\$ 504,703</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					\$ 30,029
Tuition					381,863
General Supplies	\$	1,290	\$ 703		25,456
Other Objects				\$ 40,265	40,265
Total Instruction		<u>1,290</u>	<u>703</u>	<u>40,265</u>	<u>477,613</u>
Support Services:					
Personal Service - Employee Benefit					3,303
Purchased Professional and Technical Services	\$ 1,843				4,583
Other Purchased Services					11,010
Supplies and Materials					8,194
Total Support Services	<u>1,843</u>				<u>27,090</u>
Total Expenditures	<u>\$ 1,843</u>	<u>\$ 1,290</u>	<u>\$ 703</u>	<u>\$ 40,265</u>	<u>\$ 504,703</u>



**CAPITAL PROJECTS FUND  
(NOT APPLICABLE)**

**PROPRIETARY FUNDS**

KINNELON BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018

<u>ASSETS:</u>	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Current Assets:			
Cash and Cash Equivalents	\$ 33,706	\$ 317,518	\$ 351,224
Accounts Receivable:			
Federal	3,775		3,775
State	302		302
Interfund Receivable	10,607		10,607
Inventories	4,987		4,987
	53,377	317,518	370,895
Total Current Assets			
Non-Current Assets:			
Capital Assets	396,881		396,881
Less: Accumulated Depreciation	(353,058)		(353,058)
	43,823		43,823
Total Non-Current Assets			
	97,200	317,518	414,718
Total Assets			
	97,200	317,518	414,718
<u>LIABILITIES:</u>			
Current Liabilities:			
Unearned Revenue - Prepaid Sales	13,708		13,708
Unearned Revenue - Donated Commodities	1,630		1,630
	15,338		15,338
Total Current Liabilities			
	15,338		15,338
<u>NET POSITION:</u>			
Net Investment in Capital Assets	43,823		43,823
Unrestricted	38,039	317,518	355,557
	81,862	317,518	399,380
Total Net Position	\$ 81,862	\$ 317,518	\$ 399,380

KINNELON BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 254,109		\$ 254,109
Daily Sales - Non-Reimbursable Programs	250,332		250,332
Program Fees		\$ 301,111	301,111
Total Operating Revenue	504,441	301,111	805,552
Operating Expenses:			
Reimbursable Programs Cost of Sales	170,852		170,852
Non-Reimbursable Programs Cost of Sales	124,468		124,468
Salaries, Benefits & Payroll Taxes	254,282	193,442	447,724
Employee Benefits		10,183	10,183
Management Fee	16,270		16,270
Professional and Technical Services	175		175
Depreciation Expense	9,909		9,909
Supplies and Materials	1,848	23,583	25,431
Administrative Expenses	38,085	16,551	54,636
Total Operating Expenses	615,889	243,759	859,648
Operating Income/(Loss)	(111,448)	57,352	(54,096)
Non-Operating Income:			
Local Sources:			
Interest Income		666	666
State Sources:			
State School Lunch Program	4,083		4,083
Federal Sources:			
National School Lunch Program	54,056		54,056
Food Distribution Program	32,057		32,057
Total Non-Operating Income	90,196	666	90,862
Net Income/(Loss) Before Other Item	(21,252)	58,018	36,766
Other Item - Disposal of Capital Assets, Net	(6,264)		(6,264)
Change in Net Position	(27,516)	58,018	30,502
Net Position - Beginning of Year	109,378	259,500	368,878
Net Position - End of Year	\$ 81,862	\$ 317,518	\$ 399,380

KINNELON BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,038	\$ 301,111	\$ 805,149
Payments to Employees	(254,282)	(193,442)	(447,724)
Payments for Benefits		(10,183)	(10,183)
Payments to Suppliers	(313,859)	(23,583)	(337,442)
Payments for Administrative Expenses		(16,551)	(16,551)
Net Cash Provided by/(Used for) Operating Activities	<u>(64,103)</u>	<u>57,352</u>	<u>(6,751)</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(3,600)		(3,600)
Net Cash Used for Capital Financing Activities	<u>(3,600)</u>		<u>(3,600)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	54,062		54,062
Net Cash Provided by Noncapital Financing Activities	<u>54,062</u>		<u>54,062</u>
Cash Flows from Investing Activities:			
Interest Earned		666	666
Net Cash Flows Provided by Investing Activities		<u>666</u>	<u>666</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(13,641)	58,018	44,377
Cash and Cash Equivalents, July 1	47,347	259,500	306,847
Cash and Cash Equivalents, June 30	<u>\$ 33,706</u>	<u>\$ 317,518</u>	<u>\$ 351,224</u>
Reconciliation of Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (111,448)	\$ 57,352	\$ (54,096)
Adjustment to Reconcile Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	32,057		32,057
Depreciation Expense	9,909		9,909
Changes in Assets and Liabilities:			
Decrease in Inventory	7,129		7,129
(Decrease) in Prepaid Sales	(565)		(565)
(Decrease) in Unearned Revenue	(1,185)		(1,185)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (64,103)</u>	<u>\$ 57,352</u>	<u>\$ (6,751)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$30,872 and utilized \$32,057 for the fiscal year ended June 30, 2018.

**FIDUCIARY FUNDS**

KINNELON BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Agency Student Activity	Payroll	Totals
<u>ASSETS:</u>						
Cash and Cash Equivalents	\$ 153,803	\$ 16,187	\$ 249,082	\$ 282,995	\$ 5,090	\$ 707,157
Total Assets	153,803	16,187	249,082	282,995	5,090	707,157
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings Interfund Payable General Fund					1,080	1,080
Due to Student Groups					4,010	4,010
					282,995	282,995
Total Liabilities					5,090	288,085
<u>NET POSITION:</u>						
Held in Trust for:						
Flexible Spending Claims		16,187				16,187
Unemployment Claims	153,803					153,803
Restricted for Scholarships			249,082			249,082
Total Net Position	\$ 153,803	\$ 16,187	\$ 249,082	\$ -0-	\$ -0-	\$ 419,072

KINNELON BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
<b>ADDITIONS:</b>				
Contributions:				
Plan Members	\$ 64,218	\$ 32,193		\$ 96,411
Donations			\$ 61,000	61,000
Total Contributions	64,218	32,193	61,000	157,411
Investment Earnings:				
Interest	282	2	385	669
Total Investment Earnings	282	2	385	669
Total Additions	64,500	32,195	61,385	158,080
<b>DEDUCTIONS:</b>				
Flexible Spending Claims		37,671		37,671
Unemployment Compensation Claims	49,349			49,349
Scholarships Awarded			73,500	73,500
Total Deductions	49,349	37,671	73,500	160,520
Change in Net Position	15,151	(5,476)	(12,115)	(2,440)
Net Position - Beginning of the Year	138,652	21,663	261,197	421,512
Net Position - End of the Year	<u>\$ 153,803</u>	<u>\$ 16,187</u>	<u>\$ 249,082</u>	<u>\$ 419,072</u>



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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 272,686	\$ 517,188	\$ 506,879	\$ 282,995
Total Assets	<u>\$ 272,686</u>	<u>\$ 517,188</u>	<u>\$ 506,879</u>	<u>\$ 282,995</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 272,686	\$ 517,188	\$ 506,879	\$ 282,995
Total Liabilities	<u>\$ 272,686</u>	<u>\$ 517,188</u>	<u>\$ 506,879</u>	<u>\$ 282,995</u>

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 19,859	\$ 14,856	\$ 16,227	\$ 18,488
Stony Brook School Activity Account	26,350	57,968	56,816	27,502
Pearl R. Miller Middle School Activity Account	55,824	117,555	120,439	52,940
Kinnelon High School:				
School Activity Account	111,411	266,525	248,551	129,385
Athletic Account	2,485	24,032	25,412	1,105
Sport Academy Camp Account	56,757	36,252	39,434	53,575
	<u>\$ 272,686</u>	<u>\$ 517,188</u>	<u>\$ 506,879</u>	<u>\$ 282,995</u>

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 4,507	\$ 26,627,755	\$ 26,627,172	\$ 5,090
Total Assets	<u>\$ 4,507</u>	<u>\$ 26,627,755</u>	<u>\$ 26,627,172</u>	<u>\$ 5,090</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 2,788	\$ 26,625,464	\$ 26,627,172	\$ 1,080
Interfund Payable General Fund	<u>1,719</u>	<u>2,291</u>		<u>4,010</u>
Total Liabilities	<u>\$ 4,507</u>	<u>\$ 26,627,755</u>	<u>\$ 26,627,172</u>	<u>\$ 5,090</u>

**LONG-TERM DEBT**

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Matured	Balance June 30, 2017	Balance June 30, 2018
			Date	Outstanding June 30, 2018 Amount	Interest Rate	Balance June 30, 2017			
Refunding Bond of 1998 Issue	11/16/05	\$ 4,615,000					\$ 515,000	\$ 515,000	
Refunding Bond of 2002 Issue	9/14/10	9,980,000	10/1/18	\$ 940,000	4.00%				
			10/1/19	975,000	4.00%				
			10/1/20	970,000	4.00%				
			10/1/21	960,000	3.00%				
			10/1/22	945,000	3.125%				
			10/1/23	930,000	3.25%		6,615,000	\$ 5,720,000	
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	2/1/19	15,000	2.00%				
			2/1/20	10,000	2.00%				
			2/1/21	25,000	2.00%				
			2/1/22	25,000	2.00%				
			2/1/23	60,000	3.00%				
			2/1/24	115,000	3.00%				
			2/1/25	910,000	5.00%				
			2/1/26	1,015,000	5.00%				
			2/1/27	1,120,000	4.25%				
			2/1/28	1,215,000	5.00%				
		2/1/29	1,285,000	4.50%					
		2/1/30	1,325,000	4.50%					
		2/1/31	1,345,000	4.75%					
		2/1/32	1,370,000	4.75%					
		2/1/33	1,395,000	4.75%					
							11,230,000	11,230,000	
							\$ 18,360,000	\$ 16,950,000	

KINNELON BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2017</u>	<u>Matured</u>	<u>Balance June 30, 2018</u>
2016 Bus Lease	1.98%	\$ 273,737	<u>\$ 217,609</u>	<u>\$ 52,813</u>	<u>\$ 164,796</u>
			<u>\$ 217,609</u>	<u>\$ 52,813</u>	<u>\$ 164,796</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,100,548		\$ 2,100,548	\$ 2,100,548	
State Sources:					
Debt Service Type II Aid	65,633		65,633	65,633	
<b>Total Revenue</b>	<u>2,166,181</u>		<u>2,166,181</u>	<u>2,166,181</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	756,181		756,181	756,181	
Redemption of Principal	1,410,000		1,410,000	1,410,000	
<b>Total Regular Debt Service</b>	<u>2,166,181</u>		<u>2,166,181</u>	<u>2,166,181</u>	
<b>Total Expenditures</b>	<u>2,166,181</u>		<u>2,166,181</u>	<u>2,166,181</u>	
<b>Fund Balance, July 1</b>	<u>-0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	
<b>Fund Balance, June 30</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

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

J-14 thru J-15

**Operating Information**

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

J-16 thru J-20

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



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

	June 30,				
	2009	2010	2011	2012	2013
Governmental activities					
Net Investment in capital assets	\$ 17,877,438	\$ 18,555,613	\$ 18,157,140	\$ 18,680,587	\$ 19,148,508
Restricted	730,715	520,683	470,825	30,223	30,223
Unrestricted/(Deficit)	(796,530)	(846,449)	470,673	1,888,392	1,738,222
Total governmental activities net position	<u>\$ 17,811,623</u>	<u>\$ 18,229,847</u>	<u>\$ 19,098,638</u>	<u>\$ 20,599,202</u>	<u>\$ 20,916,953</u>
Business-type activities					
Net Investment in capital assets	\$ 135,895	\$ 119,332	\$ 108,116	\$ 107,321	\$ 93,777
Unrestricted	143,708	104,987	106,940	138,959	164,164
Total business-type activities net position	<u>\$ 279,603</u>	<u>\$ 224,319</u>	<u>\$ 215,056</u>	<u>\$ 246,280</u>	<u>\$ 257,941</u>
District-wide					
Net Investment in capital assets	\$ 18,013,333	\$ 18,674,945	\$ 18,265,256	\$ 18,787,908	\$ 19,242,285
Restricted	730,715	520,683	470,825	30,223	30,223
Unrestricted/(Deficit)	(652,822)	(741,462)	577,613	2,027,351	1,902,386
Total district net position	<u>\$ 18,091,226</u>	<u>\$ 18,454,166</u>	<u>\$ 19,313,694</u>	<u>\$ 20,845,482</u>	<u>\$ 21,174,894</u>
	June 30,				
	2014	2015	2016	2017	2018
Governmental activities					
Net Investment in capital assets	\$ 19,254,575	\$ 21,151,918	\$ 19,322,431	\$ 19,646,697	\$ 22,277,585
Restricted	861,139	677,206	1,119,539	1,295,938	2,153,249
Unrestricted/(Deficit)	(6,363,054)	(8,118,400)	(6,829,262)	(7,736,429)	(11,530,632)
Total governmental activities net position	<u>\$ 13,752,660</u>	<u>\$ 13,710,724</u>	<u>\$ 13,612,708</u>	<u>\$ 13,206,206</u>	<u>\$ 12,900,202</u>
Business-type activities					
Net Investment in capital assets	\$ 79,782	\$ 65,787	\$ 70,392	\$ 56,397	\$ 43,823
Unrestricted	207,535	244,914	274,845	312,481	355,557
Total business-type activities net position	<u>\$ 287,317</u>	<u>\$ 310,701</u>	<u>\$ 345,237</u>	<u>\$ 368,878</u>	<u>\$ 399,380</u>
District-wide					
Net Investment in capital assets	\$ 19,334,357	\$ 21,217,705	\$ 19,392,823	\$ 19,703,094	\$ 22,321,408
Restricted	861,139	677,206	1,119,539	1,295,938	2,153,249
Unrestricted/(Deficit)	(6,155,519)	(7,873,486)	(6,554,417)	(7,423,948)	(11,175,075)
Total district net position	<u>\$ 14,039,977</u>	<u>\$ 14,021,425</u>	<u>\$ 13,957,945</u>	<u>\$ 13,575,084</u>	<u>\$ 13,299,582</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
<b>Expenses</b>					
<b>Governmental activities</b>					
<b>Instruction</b>					
Regular	\$ 15,335,444	\$ 16,655,387	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637
Special education	3,245,341	3,276,930	3,520,191	3,720,193	3,911,881
Other special education	468,724	361,522	286,979	283,982	395,358
Other instruction	1,270,013	1,355,196	1,129,720	1,170,137	1,246,967
<b>Support Services:</b>					
Tuition	1,120,189	1,016,753	1,316,906	1,355,161	1,395,101
Student & instruction related services	4,885,481	5,219,338	4,496,137	4,888,666	5,244,472
General and business administrative services	831,006	97,604	676,984	102,026	603,063
School Administrative Services	2,086,520	2,134,377	2,126,715	581,074	2,295,163
Central Services	529,025	565,133	566,110	2,124,580	571,202
Administrative Technology Information	216,563	219,361	122,051	591,272	109,973
Plant operations and maintenance	3,617,395	3,519,895	3,356,498	3,298,665	3,803,463
Pupil transportation	2,193,848	1,711,237	2,031,790	1,918,266	1,922,290
Interest on long-term debt	1,365,241	1,278,267	973,545	1,121,860	1,055,853
Unallocated depreciation					
Capital Outlay	237,017	65,151	72,775	42,322	58,083
<b>Total governmental activities expenses</b>	<u>37,401,807</u>	<u>37,476,151</u>	<u>35,796,478</u>	<u>36,911,696</u>	<u>39,544,506</u>
<b>Business-type activities:</b>					
Food service	634,915	647,943	617,556	592,740	578,749
Enrichment Program	142,260	146,620	145,497	127,288	146,572
<b>Total business-type activities expense</b>	<u>777,175</u>	<u>794,563</u>	<u>763,053</u>	<u>720,028</u>	<u>725,321</u>
<b>Total district expenses</b>	<u>\$ 38,178,982</u>	<u>\$ 38,270,714</u>	<u>\$ 36,559,531</u>	<u>\$ 37,631,724</u>	<u>\$ 40,269,827</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Instruction (tuition)					
Operating grants and contributions	\$ 5,104,268	\$ 5,729,384	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053
<b>Total governmental activities program revenues</b>	<u>5,104,268</u>	<u>5,729,384</u>	<u>3,745,734</u>	<u>4,804,944</u>	<u>5,672,053</u>
<b>Business-type activities:</b>					
<b>Charges for services</b>					
Food service	575,501	558,484	537,947	531,592	458,163
Enrichment Program	167,388	118,514	159,806	136,362	194,639
Operating grants and contributions	54,263	62,010	58,399	83,173	84,037
<b>Total business type activities program revenues</b>	<u>797,152</u>	<u>739,008</u>	<u>756,152</u>	<u>751,127</u>	<u>736,839</u>
<b>Total district program revenues</b>	<u>\$ 5,901,420</u>	<u>\$ 6,468,392</u>	<u>\$ 4,501,886</u>	<u>\$ 5,556,071</u>	<u>\$ 6,408,892</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (32,297,539)	\$ (31,746,767)	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)
Business-type activities	19,977	(55,555)	(6,901)	31,099	11,518
<b>Total district-wide net expense</b>	<u>\$ (32,277,562)</u>	<u>\$ (31,802,322)</u>	<u>\$ (32,057,645)</u>	<u>\$ (32,075,653)</u>	<u>\$ (33,860,935)</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Property taxes levied for general purposes, net	\$ 28,468,788	\$ 29,599,802	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023
Taxes levied for debt service	2,762,724	2,732,132	2,469,272	2,434,758	2,662,364
Federal and State Aid Not Restricted	81,256	81,135	68,862	68,759	68,656
Miscellaneous income	259,276	151,174	281,312	401,588	262,855
Transfers	1,261	748	106	228	134
<b>Total governmental activities</b>	<u>31,573,305</u>	<u>32,564,991</u>	<u>32,919,535</u>	<u>33,607,316</u>	<u>34,310,032</u>
<b>Business-type activities:</b>					
Miscellaneous income	1,703	1,019	144	353	277
Transfers	(1,261)	(748)	(106)	(228)	(134)
Other Item - Disposal of Capital Assets			(2,400)		
<b>Total business-type activities</b>	<u>442</u>	<u>271</u>	<u>(2,362)</u>	<u>125</u>	<u>143</u>
<b>Total district-wide</b>	<u>\$ 31,573,747</u>	<u>\$ 32,565,262</u>	<u>\$ 32,917,173</u>	<u>\$ 33,607,441</u>	<u>\$ 34,310,175</u>
<b>Change in Net Position</b>					
Governmental activities	\$ (724,234)	\$ 818,224	\$ 868,791	\$ 1,500,564	\$ 437,579
Business-type activities	20,419	(55,284)	(9,263)	31,224	11,661
<b>Total district</b>	<u>\$ (703,815)</u>	<u>\$ 762,940</u>	<u>\$ 859,528</u>	<u>\$ 1,531,788</u>	<u>\$ 449,240</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
<b>Expenses</b>					
<b>Governmental activities</b>					
<b>Instruction</b>					
Regular	\$ 16,435,098	\$ 18,590,309	\$ 19,783,406	\$ 21,089,444	\$ 21,601,378
Special education	3,852,677	4,863,506	5,415,147	6,247,293	6,282,372
Other special education	488,137	712,248	659,958	818,422	910,277
Other instruction	1,096,947	1,461,012	1,672,943	1,688,933	1,286,333
<b>Support Services:</b>					
Tuition	1,608,863	1,623,287	1,607,359	1,700,591	1,653,250
Student & instruction related services	5,511,218	6,644,710	7,058,106	8,307,308	9,192,350
General and business administrative services	559,512	610,548	676,806	785,407	807,556
School Administrative Services	2,263,211	2,418,495	2,783,629	3,213,866	3,180,534
Central Services	550,833	569,105	571,136	673,781	561,776
Administrative Technology Information	107,629	162,512	134,457	81,520	141,260
Plant operations and maintenance	3,766,137	3,997,483	3,744,103	4,078,236	4,554,839
Pupil transportation	1,954,847	2,113,636	2,002,699	2,195,396	2,220,667
Interest on long-term debt	979,029	864,449	769,935	883,193	701,028
Unallocated depreciation					1,157,907
Capital Outlay	60,439	58,083	527,518	331,894	
<b>Total governmental activities expenses</b>	<u>39,234,577</u>	<u>44,689,383</u>	<u>47,407,202</u>	<u>52,095,284</u>	<u>54,251,527</u>
<b>Business-type activities:</b>					
Food service	528,907	549,686	576,502	604,748	615,889
Enrichment Program	234,677	227,538	269,553	258,769	243,759
<b>Total business-type activities expense</b>	<u>763,584</u>	<u>777,224</u>	<u>846,055</u>	<u>863,517</u>	<u>859,648</u>
<b>Total district expenses</b>	<u>\$ 39,998,161</u>	<u>\$ 45,466,607</u>	<u>\$ 48,253,257</u>	<u>\$ 52,958,801</u>	<u>\$ 55,111,175</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Instruction (tuition)			\$ 95,199	\$ 92,001	\$ 65,469
Operating grants and contributions	\$ 5,208,200	\$ 9,539,898	11,336,746	14,824,450	16,195,716
<b>Total governmental activities program revenues</b>	<u>5,208,200</u>	<u>9,539,898</u>	<u>11,431,945</u>	<u>14,916,451</u>	<u>16,261,185</u>
<b>Business-type activities:</b>					
<b>Charges for services</b>					
Food service	446,576	439,512	502,430	504,814	504,441
Enrichment Program	274,399	288,389	300,105	302,300	301,111
Operating grants and contributions	71,737	72,344	77,617	79,498	90,196
<b>Total business type activities program revenues</b>	<u>792,712</u>	<u>800,245</u>	<u>880,152</u>	<u>886,612</u>	<u>895,748</u>
<b>Total district program revenues</b>	<u>\$ 6,000,912</u>	<u>\$ 10,340,143</u>	<u>\$ 12,312,097</u>	<u>\$ 15,803,063</u>	<u>\$ 17,156,933</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (34,026,377)	\$ (35,149,485)	\$ (35,975,257)	\$ (37,178,833)	\$ (37,990,342)
Business-type activities	29,128	23,021	34,097	23,095	36,100
<b>Total district-wide net expense</b>	<u>\$ (33,997,249)</u>	<u>\$ (35,126,464)</u>	<u>\$ (35,941,160)</u>	<u>\$ (37,155,738)</u>	<u>\$ (37,954,242)</u>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
Property taxes levied for general purposes, net	\$ 32,102,343	\$ 32,480,021	\$ 33,389,621	\$ 34,386,899	\$ 35,415,067
Taxes levied for debt service	2,162,403	2,193,150	2,123,789	2,127,453	2,100,548
Federal and State Aid Not Restricted	68,553	193,264	69,550	59,428	
Miscellaneous income	302,636	240,951	294,281	198,550	168,724
Transfers	183	163			
<b>Total governmental activities</b>	<u>34,636,118</u>	<u>35,107,549</u>	<u>35,877,241</u>	<u>36,772,330</u>	<u>37,684,339</u>
<b>Business-type activities:</b>					
Miscellaneous income	431	526	439	546	666
Transfers	(183)	(163)			
Other Item - Disposal of Capital Assets					(6,264)
<b>Total business-type activities</b>	<u>248</u>	<u>363</u>	<u>439</u>	<u>546</u>	<u>(5,598)</u>
<b>Total district-wide</b>	<u>\$ 34,636,366</u>	<u>\$ 35,107,912</u>	<u>\$ 35,877,680</u>	<u>\$ 36,772,876</u>	<u>\$ 37,678,741</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 609,741	\$ (41,936)	\$ (98,016)	\$ (406,503)	\$ (306,003)
Business-type activities	29,376	23,384	34,536	23,641	30,502
<b>Total district</b>	<u>\$ 639,117</u>	<u>\$ (18,552)</u>	<u>\$ (63,480)</u>	<u>\$ (382,862)</u>	<u>\$ (275,501)</u>

Source: School District Financial Reports

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

	June 30,				
	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 137,882	\$ 165,652			
Unreserved	193,947	222,562			
Restricted			\$ 100	\$ 100	\$ 699,574
Assigned			187,417	1,195,155	559,278
Unassigned			684,073	818,010	787,974
Total general fund	<u>\$ 331,829</u>	<u>\$ 388,214</u>	<u>\$ 871,590</u>	<u>\$ 2,013,265</u>	<u>\$ 2,046,826</u>
All Other Governmental Funds					
Reserved	\$ 47,153	\$ 47,153			
Unreserved, reported in:					
Capital projects fund	545,680	307,878			
Restricted:					
Capital projects fund			\$ 30,220	\$ 30,220	
Debt service fund			248,513	3	\$ 30,223
Assigned			4,575		
Total all other governmental funds	<u>\$ 592,833</u>	<u>\$ 355,031</u>	<u>\$ 283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>
	June 30,				
	2014	2015	2016	2017	2018
General Fund					
Reserved					
Unreserved					
Restricted	\$ 861,139	\$ 838,771	\$ 1,119,539	\$ 1,295,938	\$ 2,153,249
Assigned	1,015,955	381,921	345,991	1,274,345	825,275
Unassigned	729,668	874,892	1,063,156	874,693	830,032
Total general fund	<u>\$ 2,606,762</u>	<u>\$ 2,095,584</u>	<u>\$ 2,528,686</u>	<u>\$ 3,444,976</u>	<u>\$ 3,808,556</u>
All Other Governmental Funds					
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
<b>Revenues</b>					
Tax levy	\$ 31,231,512	\$ 32,331,934	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387
Tuition charges	130,092	64,752	47,928	156,675	84,297
Interest earnings	52,235	11,546	1,685	4,653	5,406
Miscellaneous	78,775	74,876	231,699	240,260	173,786
State sources	4,631,973	4,822,198	3,335,157	4,325,529	5,245,522
Federal sources	551,724	988,321	479,439	548,174	494,553
<b>Total revenue</b>	<b>36,676,311</b>	<b>38,293,627</b>	<b>36,665,163</b>	<b>38,412,032</b>	<b>39,981,951</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular Instruction	11,327,115	12,232,020	10,869,832	11,042,708	11,720,334
Special education instruction	2,476,642	2,470,204	2,628,229	2,733,414	2,819,184
Other special instruction	357,376	272,341	212,823	207,422	282,917
Other instruction	878,661	937,129	751,417	782,038	826,625
<b>Support Services:</b>					
Tuition	1,385,804	1,016,753	1,316,906	1,355,161	1,395,101
Student & instruction related services	3,587,665	4,031,472	3,425,483	3,687,609	4,014,250
General administrative services	572,377	487,160	535,278	565,516	467,569
School Administrative services	1,506,464	1,525,664	1,502,618	1,543,675	1,578,497
Central Services	411,526	436,387	431,026	443,326	434,140
Administrative Information Technology	164,892	73,340	95,981	74,440	78,594
Plant operations and maintenance	3,040,542	2,927,873	2,783,023	2,744,340	3,167,677
Pupil transportation	2,172,107	1,869,729	1,870,801	1,838,348	1,831,095
Unallocated Benefits	6,517,573	7,104,604	7,143,643	7,681,270	8,494,168
Capital outlay	4,685,670	277,849	143,011	72,376	107,353
<b>Debt service:</b>					
Principal	1,505,000	1,535,000	1,570,000	1,670,000	1,715,000
Interest and other charges	1,338,981	1,278,267	973,545	1,082,027	1,016,020
<b>Total expenditures</b>	<b>41,928,395</b>	<b>38,475,792</b>	<b>36,253,616</b>	<b>37,523,670</b>	<b>39,948,524</b>
Excess (Deficiency) of revenues over (under) expenditures	(5,252,084)	(182,165)	411,547	888,362	33,427
<b>Other Financing sources (uses)</b>					
Capital Leases (Non-budgeted)					
Serial Bonds Defeased					
Serial Bonds Issued					
Bond Issuance Costs					
Deferred Amount on Refunding					
Bond Premium					
Transfers in	1,261	748	106	228	134
Transfers out					
<b>Total other financing sources (uses)</b>	<b>1,261</b>	<b>748</b>	<b>106</b>	<b>228</b>	<b>134</b>
<b>Net change in fund balances</b>	<b>\$ (5,250,823)</b>	<b>\$ (181,417)</b>	<b>\$ 411,653</b>	<b>\$ 888,590</b>	<b>\$ 33,561</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.268%</b>	<b>7.951%</b>	<b>7.578%</b>	<b>7.931%</b>	<b>7.359%</b>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
<b>Revenues</b>					
Tax levy	\$ 34,264,746	\$ 34,673,171	\$ 35,513,410	\$ 36,514,352	\$ 37,515,615
Tuition charges	155,734	111,993	95,199	101,563	65,469
Interest earnings	6,464	6,236	6,018	6,736	7,904
Miscellaneous	152,904	207,760	288,263	197,387	204,229
State sources	4,820,383	5,507,282	6,140,022	6,705,409	7,659,241
Federal sources	443,904	454,861	475,304	470,153	465,236
<b>Total revenue</b>	<u>39,844,135</u>	<u>40,961,303</u>	<u>42,518,216</u>	<u>43,995,600</u>	<u>45,917,694</u>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular Instruction	11,497,005	11,754,488	11,781,223	11,008,684	11,829,750
Special education instruction	2,809,534	3,190,740	3,257,194	3,386,697	3,445,237
Other special instruction	353,665	459,367	389,775	433,162	489,767
Other instruction	734,929	961,881	952,371	997,571	953,095
<b>Support Services:</b>					
Tuition	1,608,863	1,623,288	1,607,359	1,700,591	1,653,250
Student & instruction related services	4,072,920	4,428,572	4,510,091	4,610,211	5,243,466
General administrative services	433,503	448,983	497,199	538,561	573,271
School Administrative services	1,569,588	1,517,683	1,645,247	1,670,744	1,757,041
Central Services	430,680	410,985	390,213	394,107	397,151
Administrative Information Technology	77,780	118,359	81,520	81,520	97,240
Plant operations and maintenance	3,140,976	3,003,338	2,759,399	2,885,178	3,013,419
Pupil transportation	1,870,391	1,870,297	1,988,640	2,071,907	2,167,212
Unallocated Benefits	8,294,708	8,689,244	9,611,081	10,674,285	11,044,224
Capital outlay	158,884	732,566	694,200	439,211	723,810
Debt service:					
Principal	1,310,000	1,355,000	1,380,000	1,375,000	1,410,000
Interest and other charges	951,179	907,853	813,339	811,881	756,181
<b>Total expenditures</b>	<u>39,314,605</u>	<u>41,472,644</u>	<u>42,358,851</u>	<u>43,079,310</u>	<u>45,554,114</u>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<u>529,530</u>	<u>(511,341)</u>	<u>159,365</u>	<u>916,290</u>	<u>363,580</u>
<b>Other Financing sources (uses)</b>					
Capital Leases (Non-budgeted)			273,737		
Serial Bonds Defeased		(12,454,000)			
Serial Bonds Issued		11,230,000			
Bond Issuance Costs		(129,833)			
Deferred Amount on Refunding		(503,256)			
Bond Premium		1,857,089			
Transfers in	183	300,263			
Transfers out		(300,100)			
<b>Total other financing sources (uses)</b>	<u>183</u>	<u>163</u>	<u>273,737</u>		
<b>Net change in fund balances</b>	<u>\$ 529,713</u>	<u>\$ (511,178)</u>	<u>\$ 433,102</u>	<u>\$ 916,290</u>	<u>\$ 363,580</u>
<b>Debt service as a percentage of noncapital expenditures</b>	6.129%	5.881%	5.557%	5.406%	4.783%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2009	\$ 52,325	\$ 130,092	\$ 41,562	\$ 37,123	\$ 261,102
2010	11,546	64,752	39,157	35,719	151,174
2011	1,685	47,928	17,237	210,538	277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636
2015	6,236	111,993		122,722	240,951
2016	6,018	95,199		202,829	304,046
2017	6,736	101,563		164,574	272,873
2018	7,904	65,469	20,769	140,051	234,193

Source: Borough of Kinnelon School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2008	\$ 41,568,100	\$ 1,535,171,700	\$ 3,156,600	\$ 21,400	\$ 61,800,100	\$ 18,360,100	\$ 1,660,078,000	\$ 1,677,327	\$ 1,661,755,327	\$ 1.846	\$ 2,411,517,948
2009	37,640,800	1,545,303,500	4,018,300	22,800	59,597,300	18,360,100	1,664,942,800	1,793,165	1,666,735,965	1.907	2,464,348,279
2010	32,726,300	1,533,542,400	4,018,300	18,900	59,597,300	18,360,100	1,648,263,300	1,806,607	1,650,069,907	1.967	2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.014	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.129	2,039,419,412
2014	24,433,700	1,498,703,100	3,907,700	38,500	54,096,400	18,500,700	1,599,680,100		1,599,680,100	2.156	2,036,364,102
2015	22,793,300	1,496,614,600	3,025,300	39,900	54,096,400	18,500,700	1,595,070,200		1,595,070,200	2.200	2,112,068,237
2016	21,927,600	1,497,282,400	4,701,400	41,500	53,914,600	18,500,700	1,596,368,200		1,596,368,200	2.256	2,112,419,558
2017*	27,103,200	1,989,936,000	8,345,700	55,600	83,384,700	30,125,000	2,138,950,200		2,138,950,200	1.731	2,132,177,216

\*-Revaluation Year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

<sup>b</sup> Tax rates are per \$100



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

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Kinnelon	Morris County	
2008	\$ 1.697	\$ 0.149	\$ 1.846	\$ 0.473	\$ 0.345	\$ 2.664
2009	1.742	0.165	1.907	0.484	0.337	2.728
2010	1.809	0.158	1.967	0.510	0.330	2.807
2011	1.864	0.150	2.014	0.531	0.330	2.875
2012	1.924	0.158	2.082	0.556	0.330	2.968
2013	1.978	0.151	2.129	0.582	0.330	3.041
2014	2.020	0.136	2.156	0.588	0.325	3.069
2015	2.065	0.135	2.200	0.588	0.332	3.120
2016	2.123	0.133	2.256	0.669	0.326	3.251
2017*	1.632	0.099	1.731	0.500	0.259	2.490

\* - Revaluation year

Source: Municipal Tax Collector and School Business Administrator

**Note:**

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

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

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

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

		2018		2009				
		Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Multi-Family Housing		\$ 29,300,000	1	1.38%	Multi-Family Housing	\$ 17,609,600	1	1.06%
Commercial Property		15,750,000	2	0.74%	Commercial Property	10,644,800	2	0.64%
Commercial Property		13,000,000	3	0.61%	Commercial Property	9,750,000	3	0.58%
Commercial Property		6,024,000	4	0.28%	Commercial Property	5,875,000	4	0.35%
Commercial Property		4,518,100	5	0.21%	Vacant Land	3,374,900	5	0.20%
Residential Property		4,431,700	6	0.21%	Vacant Land	2,968,300	6	0.18%
Commercial Property		4,300,000	7	0.20%	Vacant Land	2,819,800	7	0.17%
Commercial Property		4,036,400	8	0.19%	Vacant Land	2,777,700	8	0.17%
Commercial Property		3,676,300	9	0.17%	Vacant Land	2,640,000	9	0.16%
Residential Property		3,600,000	10	0.17%	Commercial Property	2,604,800	10	0.16%
Total		\$ 88,636,500		4.16%		\$ 61,064,900		3.67%

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 31,231,512	\$ 31,231,512	100.00%	\$ -0-
2010	32,331,934	32,331,934	100.00%	-0-
2011	32,569,255	32,569,255	100.00%	-0-
2012	33,136,741	33,136,741	100.00%	-0-
2013	33,978,387	33,978,387	100.00%	-0-
2014	34,264,746	34,264,746	100.00%	-0-
2015	34,673,171	34,673,171	100.00%	-0-
2016	35,513,410	35,513,410	100.00%	-0-
2017	36,514,352	36,514,352	100.00%	-0-
2018	37,515,615	37,515,615	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			Percentage of Personal Income <sup>a</sup>	
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Income <sup>a</sup>	Per Capita <sup>a</sup>	
2009	\$ 31,016,000	\$ -0-	\$ 110,617	\$ -0-	\$ -0-	\$ 31,126,617	4.40%	\$ 3,264	
2010	29,481,000	-0-	267,600	-0-	-0-	29,748,600	4.36%	3,108	
2011	28,389,000	-0-	162,229	-0-	-0-	28,551,229	3.78%	2,816	
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.41%	2,632	
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.06%	2,450	
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	2.85%	2,308	
2015	21,115,000	-0-	-0-	-0-	-0-	21,115,000	2.46%	2,059	
2016	19,735,000	-0-	273,737	-0-	-0-	20,008,737	2.22%	1,952	
2017	18,360,000	-0-	217,609	-0-	-0-	18,577,609	2.04%	1,816	
2018	16,950,000	-0-	164,796	-0-	-0-	17,114,796	1.88%	1,676	

Source: School District Financial Reports

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2009	\$ 31,016,000		\$ 31,016,000	1.866%	\$ 3,253
2010	29,481,000		29,481,000	1.769%	3,080
2011	28,389,000		28,389,000	1.720%	2,800
2012	26,719,000		26,719,000	1.638%	2,621
2013	25,004,000		25,004,000	1.552%	2,444
2014	23,694,000		23,694,000	1.478%	2,308
2015	21,115,000		21,115,000	1.320%	2,059
2016	19,735,000		19,735,000	1.237%	1,925
2017	18,360,000		18,360,000	1.150%	1,795
2018	16,950,000		16,950,000	0.792%	1,660

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.  
 These ratios are calculated using information from the prior calendar year.

a See Exhibit J-6 for property tax data.

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

KINNELON BOROUGH SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2017  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 13,972,200	100.00%	\$ 13,972,200
Morris County General Obligation Debt	217,187,521	2.29%	<u>4,967,246</u>
Subtotal, overlapping debt			18,939,446
Kinnelon School District Direct Debt			<u>16,950,000</u>
Total direct and overlapping debt			<u><u>\$ 35,889,446</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2018

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2017	\$2,137,240,408
2016	2,128,774,770
2015	2,109,323,195
	<u>\$6,375,338,373</u>
Average equalized valuation of taxable property	\$2,125,112,791
Debt limit (4% of average equalization value)	85,004,512 <sup>a</sup>
Net bonded school debt	16,950,000
Legal debt margin	<u>\$ 68,054,512</u>

Fiscal Year Ended June 30,

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 96,825,364	\$ 97,299,500	\$ 95,707,525	\$ 92,418,520	\$ 88,571,000
Total net debt applicable to limit	<u>31,016,000</u>	<u>29,481,000</u>	<u>28,389,000</u>	<u>26,719,000</u>	<u>25,004,000</u>
Legal debt margin	<u>\$ 65,809,364</u>	<u>\$ 67,818,500</u>	<u>\$ 67,318,525</u>	<u>\$ 65,699,520</u>	<u>\$ 63,567,000</u>
Total net debt applicable to the limit as a percentage of debt limit	32.03%	30.30%	29.66%	28.91%	28.23%

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 84,927,221	\$ 83,648,814	\$ 83,540,821	\$ 84,732,226	\$ 85,004,512
Total net debt applicable to limit	<u>23,714,000</u>	<u>21,115,000</u>	<u>19,735,000</u>	<u>18,360,000</u>	<u>16,950,000</u>
Legal debt margin	<u>\$ 61,213,221</u>	<u>\$ 62,533,814</u>	<u>\$ 65,180,821</u>	<u>\$ 65,180,821</u>	<u>\$ 68,054,512</u>
Total net debt applicable to the limit as a percentage of debt limit	27.92%	25.24%	23.62%	21.67%	19.94%

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

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

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

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Morris County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2008	9,535	\$ 707,592,350	\$ 74,210	2.70%
2009	9,572	683,067,492	71,361	4.70%
2010	10,139	754,949,940	74,460	4.70%
2011	10,195	787,125,365	77,207	4.60%
2012	10,230	818,676,210	80,027	4.80%
2013	10,267	830,271,756	80,868	4.80%
2014	10,256	858,293,872	83,687	4.20%
2015	10,252	901,109,792	87,896	4.20%
2016	10,228	910,956,820	89,065	4.10%
2017	10,213	909,620,845 *	89,065 *	3.70%
2018	10,213 **	909,620,845 **	89,065 **	N/A

\* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

\*\* - Latest Morris County per capita personal income (2016) and population data (2017) available was used for calculation purposes.

N/A - Not Available.

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

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

<sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development



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

<u>Employer</u>	<u>2016*</u>		<u>Employer</u>	<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
Kinnelon Board of Education	335	6.71%	Kinnelon Board of Education	375	18.97%
Stop & Shop	150	3.00%	Pathmark	175	8.85%
Borough of Kinnelon	100	2.00%	Borough of Kinnelon	100	5.06%
Smokerise Club	50	1.00%	Sleeptech	100	5.06%
Weichert Realtors	35	0.70%	Smokerise Club	50	2.53%
J.C. Christopher's	25	0.50%	Weichert Realtors	45	2.28%
Route 23 Car & Van Wash	20	0.40%	Kosco Harley-Davidson	35	1.77%
Rite Aid	17	0.34%	Our Lady-Magnificent RC Church	32	1.62%
Apple Montessori School	15	0.30%	Butler Bowl	22	1.11%
Wayne Johnson & Sons	14	0.28%	Apple Montessori School	20	1.01%
	<u>761</u>	<u>15.24%</u>		<u>954</u>	<u>48.26%</u>

\* - Most current year available.

Source: Borough of Kinnelon

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

<u>Function/Program</u>	<u>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	153.31	146.80	138.00	141.80	138.30	137.30	134.00	126.00	127.00	126.00
Regular										
Special education	59.29	52.54	50.10	50.90	51.40	51.40	55.50	75.00	76.00	78.00
Support Services:										
Student & instruction related services	40.83	43.80	41.90	43.40	43.40	43.90	46.00	42.70	43.50	45.00
School administrative services	16.50	16.00	12.50	12.50	12.50	12.50	14.50	15.50	15.50	15.50
General and business administrative services	3.80	3.80	3.90	3.90	3.90	3.90	4.00	6.00	6.00	6.00
Plant operations and maintenance	28.50	30.90	30.40	30.40	30.40	30.40	24.00	25.00	23.00	22.00
Business and other support services	14.85	5.10	4.60	4.60	4.60	4.60	2.00	2.00	2.00	2.00
Pupil transportation		10.00	8.00	8.00	8.00	8.00	11.50	10.00	10.00	10.50
<b>Total</b>	<b>317.08</b>	<b>308.94</b>	<b>289.40</b>	<b>295.50</b>	<b>292.50</b>	<b>292.00</b>	<b>291.50</b>	<b>302.20</b>	<b>303.00</b>	<b>305.00</b>

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School				
2009	2,230	\$ 34,398,744	\$ 15,439	178.27	1:12.9	1:13.3	1:12.54	1:11.65	2,228	2,133	1.181%	95.74%
2010	2,214	35,384,676	16,033	179.10	1:12.5	1:14.6	1:11.9	1:10.3	2,207	2,120	-0.943%	96.06%
2011	2,215	33,567,060	15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%
2013	2,143	37,110,151	17,530	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%
2015	2,019	38,477,225	19,152	189.50	1:12	1:14	1:11	1:12	2,009	1,930	-3.460%	96.07%
2016	1,992	39,471,312	20,211	201.00	1:12	1:14	1:11	1:12	1,953	1,888	-2.787%	96.67%
2017	1,953	40,453,218	21,135	203.00	1:12	1:14	1:11	1:10	1,914	1,835	-1.997%	95.87%
2018	1,961	42,664,123	20,767	204.00	1:12	1:14	1:12	1:11	1,889	1,795	-1.306%	95.02%

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

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

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

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Kiel Elementary School (1995)</b>										
Square Feet	43,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	331	333	388	377	340	310	315	308	315	305
<b>Stony Brook Elementary (1957)</b>										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	515	504	578	619	524	558	498	480	472	458
<b>Pearl R. Miller Middle School (1968)</b>										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	572	561	545	532	522	514	508	493	500	471
<b>Kinnelon High School (1963)</b>										
Square Feet	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	843	646	646	646	646	646	646	646	646	646
Enrollment	676	697	704	694	693	699	688	672	685	655
<b>Glenn Sisco Elementary School (1923)</b>										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	136	119	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2018  
 Elementary = 2  
 Middle School = 1  
 High School = 1

Source: Borough of Kinnelon School District Facilities Office

Note: Year of original construction is shown in parentheses.  
 Enrollment is based on the annual October district count.

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

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

Fiscal Year Ended June 30,	Kiel		Stony Brook		Glen L. Sisco		Pearl R. Miller		Kinnelon		Total
	Elementary School	Elementary School	Elementary School	Elementary School	Elementary School	Middle School	Middle School	High School	High School	Maintenance	
2009	\$ 85,318	\$ 67,591	\$ 20,314	\$ 70,856	\$ 92,606	\$ 27,266	\$ 363,951				
2010	33,699	54,552	17,445	50,196	130,940	25,541	312,373				
2011	27,227	73,841	11,112	40,641	78,539	4,025	235,385				
2012	37,618	67,957	4,999	41,510	127,168	3,955	283,207				
2013	21,942	61,671	3,559	62,387	410,331	36,000	595,890				
2014	54,035	56,236	22,210	87,810	199,659	33,259	453,209				
2015	58,953	96,454	8,973	42,565	140,173	112,282	459,400				
2016	51,865	87,220	11,890	51,730	83,993	39,770	326,468				
2017	45,977	70,734	21,220	84,881	130,220	14,533	367,565				
2018	44,509	95,214	13,485	80,657	151,354	29,458	414,677				

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

Source: Borough of Kinnelon School District records

KINNELON BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Package - American Guarantee & Liability Insurance Company		
Property	\$ 96,175,608	\$ 5,000
Comprehensive General Liability	1,000,000	
Comprehensive Automotive Liability	1,000,000	
Blanket Employee Dishonesty	500,000	5,000
Boiler and Machinery	100,000,000	1,000
Excess Liability		
Fireman's Fund Ins. Co.		
Per Occurrence	50,000,000	
Aggregate	50,000,000	
Excess Policy		
American Guarantee & Liability Insurance Company		
Per Occurrence	9,000,000	
Aggregate	9,000,000	
Environmental Impairment Liability		
Chubb/Ace		
Per Occurrence	1,000,000	25,000
Aggregate	10,000,000	
Fungi or Legionella		50,000
School Board Legal Liability		
Darwin Insurance Company		
Errors & Omissions	1,000,000	10,000
Employment Practices	1,000,000	15,000
Travel Accident Insurance		
Gerber Life Insurance Company		
Limit	100,000	
Cyber Liability		
Indian Harbor Insurance Company		
Combined Policy Aggregate Limit of Liability	4,000,000	25,000
Surety Bonds		
Hartford		
Treasurer of School Monies	250,000	
Board Secretary/Business Administrator	250,000	

Source: Kinnelon Borough School District records.

**SINGLE AUDIT SECTION**



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
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Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

**Internal Control Over Financial Reporting**

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

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

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



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

### **Compliance and Other Matters**

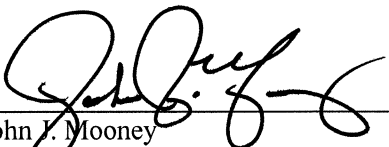
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

January 18, 2019  
Mount Arlington, New Jersey

*NISIVOCIA LLP*  
NISIVOCIA LLP

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



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

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

***Opinion on Each Major State Program***

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

**Report on Internal Control Over Compliance**

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


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

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

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

January 18, 2019  
Mount Arlington, New Jersey

*NISIVOCIA LLP*  
NISIVOCIA LLP

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

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

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2017		Cancellation of Prior Year's Encumbrances	Returned to Grantor	Balance 6/30/2018		Amounts Provided to Subrecipients
					Unearned Revenue (Accounts Receivable)	Due to Grantor			Accounts Receivable	Unearned Revenue	
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:											
General Fund:											
Medicaid Reimbursement	93.778	N/A	7/1/17-6/30/18	\$ 4,790	\$ 4,790	\$ (4,790)					
U.S. Department of Agriculture - Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Federal Food Distribution Program	10.555	N/A	7/1/17-6/30/18	30,872	30,872	(29,242)			\$ 1,630		
Federal Food Distribution Program	10.555	N/A	7/1/16-6/30/17	16,484		(2,815)					
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	54,056	50,281	(54,056)			\$ (3,775)		
Total Child Nutrition Cluster					81,153	(86,113)			(3,775)	1,630	
Total U.S. Department of Agriculture					81,153	(86,113)			(3,775)	1,630	
U.S. Department of Education - Passed-through State Department of Education:											
Special Education Cluster:											
I.D.E.A. Preschool	84.173	IDEA-2460-18	7/1/17-6/30/18	16,377	16,377	(16,377)					
I.D.E.A. Part B, Basic	84.027	IDEA-2460-18	7/1/17-6/30/18	383,863	383,863	(383,863)					
Total Special Education Cluster					400,240	(400,240)					
Title I	84.010A	ESEA-2460-18	7/1/17-6/30/18	61,454		(40,268)			(11,562)		
Title I	84.010A	ESEA-2460-17	7/1/16-6/30/17	24,975	(19,444)					\$ 453	
Title IIA	84.367A	ESEA-2460-18	7/1/17-6/30/18	24,632		(20,094)			(7,352)		
Title IIA	84.367A	ESEA-2460-17	7/1/16-6/30/17	34,930	(5,257)						
Title IIA	84.367A	ESEA-2460-14	7/1/13-6/30/14	36,154	\$ 1,433			\$ (1,433)			
Total U.S. Department of Education					456,613	(460,602)	10,229	(1,433)	(18,914)	453	
TOTAL FEDERAL AWARDS					\$ (21,886)	\$ (551,505)	\$ 10,229	\$ (1,433)	\$ (22,689)	\$ 1,630	\$ 453
											\$ -0-

N/A - Not Applicable

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

**KINNELON BOROUGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ (Accounts Receivable) 6/30/2017	Due to Grantor 6/30/2017	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP (Accounts Receivable)	Balance 6/30/2018	MEMO	
											Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 1,127,229	\$ 1,019,965		\$ 1,019,965	\$ (1,127,229)			\$ 107,264	\$ 1,127,229	
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	1,059,620	(101,873)		101,873					1,059,620	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	164,769	(15,841)		149,090	(164,769)			15,679	164,769	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	164,769			15,841					164,769	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	221,731	(21,317)		200,632	(221,731)			21,099	221,731	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	221,731			21,317					221,731	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	20,185	(1,941)		18,264	(20,185)			1,921	20,185	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	20,185			1,941					20,185	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	20,185	(1,941)		18,264	(20,185)			1,921	20,185	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	20,185			1,941					20,185	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	19,330	(1,858)		17,491	(19,330)			1,839	19,330	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	19,330			1,858					19,330	
Extraordinary Special Education Costs Aid	18-100-034-5120-473	7/1/17-6/30/18	561,961	(538,084)		538,084	(559,786)		\$ (559,786)	559,786	561,961	
Extraordinary Special Education Costs Aid	17-100-034-5120-473	7/1/16-6/30/17	538,084								538,084	
Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	21,170	(15,138)		15,138	(21,170)		(21,170)	21,170	21,170	
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	15,138								15,138	
Reimbursed TPAF Contributions:												
Social Security Aid	18-495-034-5094-003	7/1/17-6/30/18	1,308,311			1,271,868	(1,308,311)		(36,443)	36,443	1,308,311	
On-Behalf TPAF Contributions:												
Pension	18-495-034-5094-001	7/1/17-6/30/18	2,449,591			2,449,591	(2,449,591)				2,449,591	
Post-Retirement Medical	18-495-034-5094-002	7/1/17-6/30/18	1,620,533			1,620,533	(1,620,533)				1,620,533	
Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	59,445			59,445	(59,445)				59,445	
Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,459			2,459	(2,459)				2,459	
Total General Fund				(697,993)		7,525,595	(7,594,724)		(617,399)	767,122	9,655,941	
Debt Service Fund:												
Debt Service Aid State Support	18-495-034-5120-017	7/1/17-6/30/18	65,633			65,633	(65,633)				65,633	
Total Debt Service Fund						65,633	(65,633)				65,633	
Special Revenue Fund:												
NJ Nonpublic Aid:												
Technology Initiative	18-100-034-5120-373	7/1/17-6/30/18	703			703	(703)				703	
Technology Initiative	17-100-034-5120-373	7/1/16-6/30/17	520					\$ (171)			349	
Textbook Aid (Chapter 194)	18-100-034-5120-064	7/1/17-6/30/18	1,041		\$ 171	1,041				\$ 1,041	1,124	
Textbook Aid (Chapter 194)	17-100-034-5120-064	7/1/16-6/30/17	1,153		29			(29)			1,290	
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	1,425			1,425	(1,290)			135	1,843	
Nursing Services (Chapter 226)	18-100-034-5120-070	7/1/17-6/30/18	1,843			1,843	(1,843)				1,843	
Total Special Revenue Fund					200	5,012	(3,836)	(200)		1,176	6,839	
Total NJ Department of Education				(697,993)	200	7,596,240	(7,664,193)	(200)	(617,399)	1,176	9,728,413	

KINNELON BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Due to Grantor 6/30/2017	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2018		MEMO	
								Balance Unearned Revenue/ (Accounts Receivable) 6/30/2017	GAAP (Accounts Receivable)	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
Enterprise Fund:											
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	\$ 4,083		\$ 3,781	\$ (4,083)		\$ (302)	\$ 302	\$ 4,083	
Total Enterprise Fund					3,781	(4,083)		(302)	302	4,083	
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION				\$ 200	\$ 7,600,021	\$ (7,668,276)	\$ (200)	\$ (617,701)	\$ 1,176	\$ 767,424	\$ 9,856,057
Less - State Awards Not Subject to Single Audit Major Program Determination:											
On-Behalf TPAF Contributions:											
Pension	18-495-034-5094-001	7/1/17-6/30/18	2,449,591			2,449,591					
Post-Retirement Medical	18-495-034-5094-002	7/1/17-6/30/18	1,620,533			1,620,533					
Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	59,445			59,445					
Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,459			2,459					
Subtotal On-Behalf TPAF Pension System Contributions						4,132,028					
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION						\$ (3,536,248)					

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

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Kinnelon Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,952) for the general fund and \$2,988 (\$3,144 local grants and (\$156) Federal grants) for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds.

KINNELON BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 4,790	\$ 7,589,772	\$ 7,594,562
Special Revenue Fund	460,446	3,836	464,282
Debt Service Fund		65,633	65,633
Enterprise Fund	<u>86,113</u>	<u>4,083</u>	<u>90,196</u>
Total Financial Awards	<u>\$ 551,349</u>	<u>\$ 7,663,324</u>	<u>\$ 8,214,673</u>

NOTE 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. T.P.A.F. Social Security Contributions represent the amount reimbursed by the State for the employer's share of social security contributions for T.P.A.F. members for the fiscal year ended June 30, 2018.



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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 1,127,229	\$ 1,127,229
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	164,769	164,769
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	20,185	20,185
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	20,185	20,185
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	19,330	19,330

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

KINNELON BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

KINNELON BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.