

KEARNY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Kearny, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Kearny Board of Education
Kearny, New Jersey
For The Fiscal Year Ended June 30, 2019**

**Prepared by
Business Office**

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INTRODUCTORY SECTION



KEARNY SCHOOL DISTRICT

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November 8, 2019

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

Dear Board Members:

The Comprehensive Annual Financial Report (the "CAFR") of the Kearny Board of Education for the fiscal year ended June 30, 2019, 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 Kearny Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the district. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR 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, combining and individual fund financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the requirements of Title 2 U.S. CFR Part 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), and the State OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

Edward F. Izbicki, Sr., Ed.D., Business Administrator/Board Secretary

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

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular as well as special education for handicapped students.

2. ECONOMIC CONDITION AND OUTLOOK: The Town of Kearny is substantially developed which both residential and industrial taxpayers. The situation is expected to continue, which suggests that its tax base will remain stable.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2019.

5. 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.

6. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute detailed in "Notes to the Financial Statements", Note 4. 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 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 funds are secured in accordance with the act.

7. 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.


8. OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, & Higgins, LLP, was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Uniform Guidance and State OMB Circular 15-08. The auditor's report on 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.

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

Respectfully submitted,

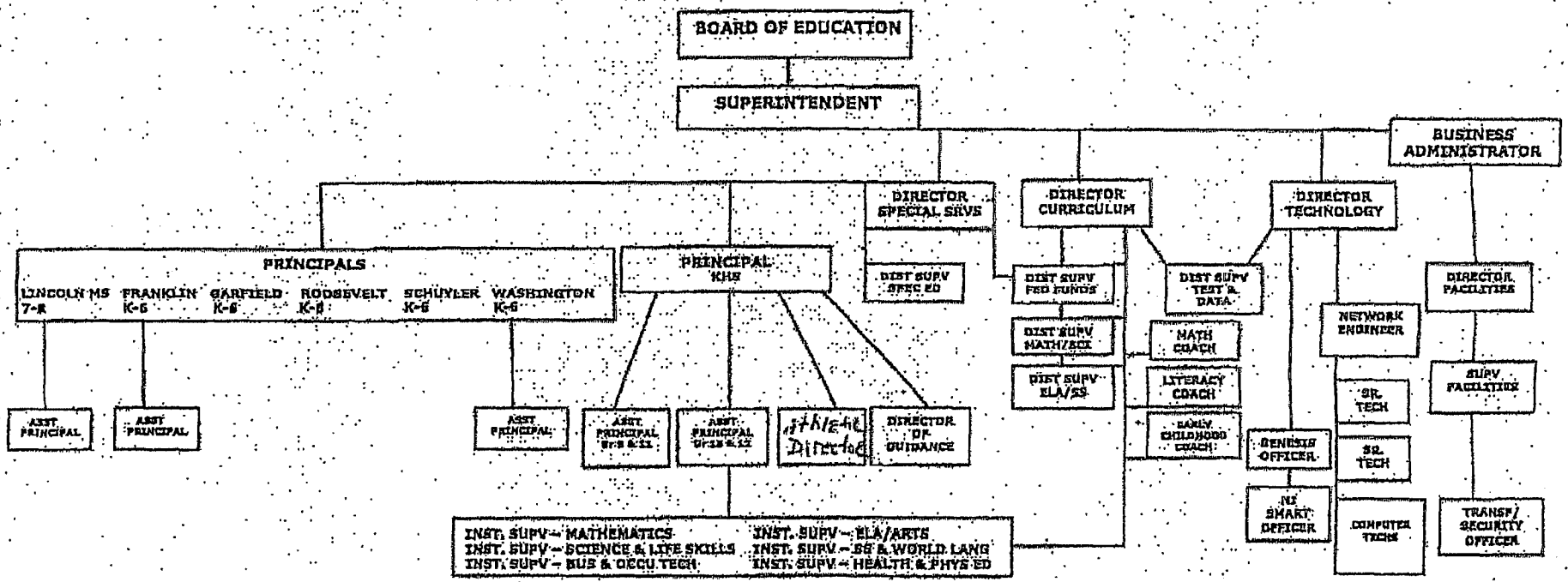


Superintendent of Schools



Board Secretary/Business Administrator

AT



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2019

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Theresa Andryszczak	2020
Barbara Cifelli-Sherry	2019
Mercedes Davidson	2021
Cecilia Lindenfesler	2021
Bernadette McDonald	2019
Samantha Paris	2020
Mary Torres	2019
Sebastian J. Viscuso	2020
George Zapata	2019

ADMINISTRATION

Patricia Blood, Superintendent of Schools

Edward F. Izbicki, Sr. Ed.D, Business Administrator/Board Secretary

KEARNY BOARD OF EDUCATION - CONSULTANTS AND ADVISORS

ARCHITECTS OF RECORD

DICARA RUBINO
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WAYNE, NEW JERSEY 07470

ATTORNEY

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

CONSTRUCTION ATTORNEY

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WESTFIELD, NEW JERSEY 07091-2369

AUDIT FIRM

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NEWARK, NEW JERSEY 07102

NEGOTIATOR/LABOR COUNSEL

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

OFFICIAL DEPOSITORY

THE INVESTORS BANK
300 BERGEN AVENUE
KEARNY, NEW JERSEY 07032

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


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


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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2019 on our consideration of the Kearny Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kearny Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Kearny Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

This section of the Kearny Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 fiscal year include the following:

- The assets and deferred outflows of resources of the Kearny Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,767,392.
- Overall revenues were \$123,066,530 which were \$252,529 more than expenses. General revenues accounted for \$85,480,200 or 71% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$36,131,061 or 29% of total revenues.
- The School District had \$120,489,599 in expenses for governmental activities; only \$35,546,769 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes and federal and state aid) of \$85,480,200 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combining ending fund balances of \$665,918. The unassigned general fund balance (GAAP Basis) is a deficit of \$2,246,394.
- The General Fund unassigned budgetary basis fund balance was \$2,137,800 at June 2019, an increase of \$193,530 when compared with the beginning balance at July 1, 2018 of \$1,944,270.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

KEARNY BOARD OF EDUCATION

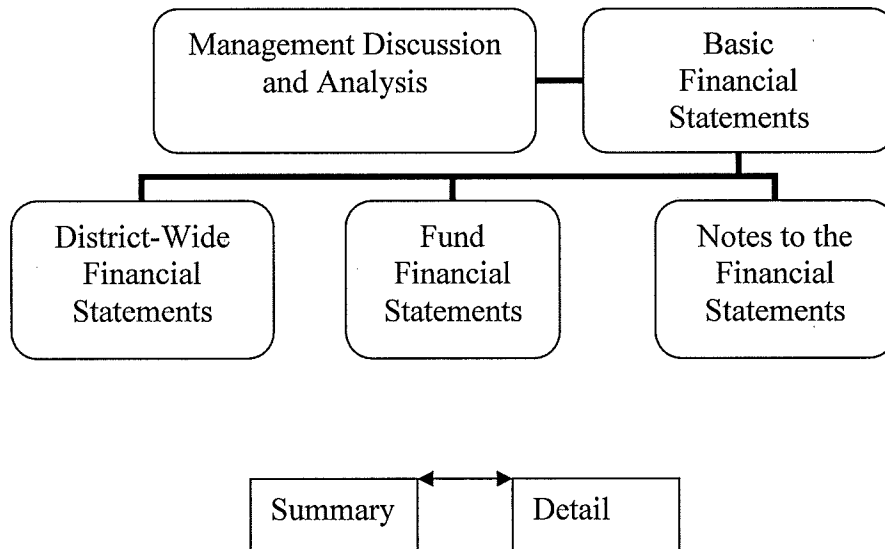
Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

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

Major Features of the District-Wide and Fund Financial Statements

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Net Position. The District's combined net position, as summarized below, was \$15,767,392 and \$14,934,338 on June 30, 2019 and 2018, respectively

Statement of Net Position as of June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 9,016,971	\$ 18,345,950	\$ 712,582	\$ 645,734	\$ 9,729,553	\$ 18,991,684
Capital Assets	59,952,311	61,549,228	304,965	308,196	60,257,276	61,857,424
Total Assets	<u>68,969,282</u>	<u>79,895,178</u>	<u>1,017,547</u>	<u>953,930</u>	<u>69,986,829</u>	<u>80,849,108</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	4,225,357	6,568,544			4,225,357	6,568,544
Deferred Charges on Refunding	206,191	283,751	-	-	206,191	283,751
Total Deferred Outflows of Resources	<u>4,431,548</u>	<u>6,852,295</u>	<u>-</u>	<u>-</u>	<u>4,431,548</u>	<u>6,852,295</u>
Liabilities						
Long-Term Liabilities	42,265,809	50,680,197			42,265,809	50,680,197
Other Liabilities	8,446,111	16,495,909	101,073	124,189	8,547,184	16,620,098
Total Liabilities	<u>50,711,920</u>	<u>67,176,106</u>	<u>101,073</u>	<u>124,189</u>	<u>50,812,993</u>	<u>67,300,295</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	7,837,312	5,459,868			7,837,312	5,459,868
Deferred Commodities Revenue	-	-	680	6,902	680	6,902
Total Deferred Inflows of Resources	<u>7,837,312</u>	<u>5,459,868</u>	<u>680</u>	<u>6,902</u>	<u>7,837,992</u>	<u>5,466,770</u>
Net Position						
Net Investment in Capital Assets	53,069,476	51,445,043	304,965	308,196	53,374,441	51,753,239
Restricted	1,138,318	2,977,181			1,138,318	2,977,181
Unrestricted	(39,356,196)	(40,310,725)	610,829	514,643	(38,745,367)	(39,796,082)
Total Net Position	<u>\$ 14,851,598</u>	<u>\$ 14,111,499</u>	<u>\$ 915,794</u>	<u>\$ 822,839</u>	<u>\$ 15,767,392</u>	<u>\$ 14,934,338</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Below is a summary of the changes in net position for fiscal years ended June 30, 2019 and 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 196,254		\$ 584,292	\$ 469,939	\$ 780,546	\$ 469,939
Operating Grants and Contributions	35,350,515	27,589,426	1,455,269	1,223,529	36,805,784	28,812,955
General Revenues						
Property Taxes	53,713,111	52,706,484			53,713,111	52,706,484
Federal and State Aid	30,634,641	34,141,871			30,634,641	34,141,871
Other	1,132,448	1,488,788	-	206,719	1,132,448	1,695,507
Total Revenues	<u>121,026,969</u>	<u>115,926,569</u>	<u>2,039,561</u>	<u>1,900,187</u>	<u>123,066,530</u>	<u>117,826,756</u>
Expenses						
Instruction						
Regular	62,398,755	56,053,842			62,398,755	56,053,842
Special Education	14,940,133	9,920,717			14,940,133	9,920,717
Other Instruction	6,116,270	2,778,454			6,116,270	2,778,454
School Sponsored Activities and Athletics	1,501,429	3,066,029			1,501,429	3,066,029
Support Services						
Tuition		4,170,786			-	4,170,786
Student and Instruction Related Services	9,697,687	8,991,837			9,697,687	8,991,837
General Administration and Business Services	1,755,319	2,224,330			1,755,319	2,224,330
School Administration Services	8,986,658	9,016,478			8,986,658	9,016,478
Central Administrative Services	2,454,507	2,239,558			2,454,507	2,239,558
Plant Operation and Maintenance	10,252,309	10,736,258			10,252,309	10,736,258
Pupil Transportation	1,927,028	1,740,244			1,927,028	1,740,244
Special Schools		75,827			-	75,827
Charter School		4,414,390			-	4,414,390
Interest and Other Charges on Long-Term Debt	459,504	275,687			459,504	275,687
Food Service	-	-	2,324,402	2,025,965	2,324,402	2,025,965
Total Expenses	<u>120,489,599</u>	<u>115,704,437</u>	<u>2,324,402</u>	<u>2,025,965</u>	<u>122,814,001</u>	<u>117,730,402</u>
Increase (Decrease) in Net Position before						
Transfers and Other Items	537,370	222,132	(284,841)	(125,778)	252,529	96,354
Donations/(Retirement) of Capital Assets	5,000	(34,029,645)			5,000	(34,029,645)
Capital Lease/Lease Obligations Paid by Vendor	575,525	707,117			575,525	707,117
Transfers	(377,796)	(337,534)	377,796	337,534	-	-
Change in Net Position	740,099	(33,437,930)	92,955	211,756	833,054	(33,226,174)
Net Position, Beginning of Year	14,111,499	48,691,834	822,839	611,083	14,934,338	49,302,917
Restatement	-	(1,142,405)	-	-	-	(1,142,405)
Net Position, End of Year	<u>\$ 14,851,598</u>	<u>\$ 14,111,499</u>	<u>\$ 915,794</u>	<u>\$ 822,839</u>	<u>\$ 15,767,392</u>	<u>\$ 14,934,338</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Changes in net position. The District's total revenues were \$123,066,530. Property taxes of \$53,713,111 represented 43% of revenues. Approximately 53% of the District's revenues were received from state and federal sources, the balance of 2% came from investment earnings, fees for adult education and other miscellaneous items.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was \$122,814,001. Total revenues exceeded expenses, increasing net position by \$252,529 from the beginning balance at July 1, 2018. In addition, the District had donated fixed assets of \$5,000 and a lease obligation paid and/or assumed by a vendor, thereby increasing District's net position by \$575,525.

Total and Net Cost of Governmental Activities. The District's total cost of services was \$120,489,599 for the fiscal year ended June 30, 2019. After applying program revenues, derived from charges for services of \$196,254 and operating grants and contributions of \$35,350,515 the net cost of services of the District is \$84,942,830. The following is a comparative analysis of the net cost of governmental activities for the fiscal years ended June 30, 2019 and 2018.

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Governmental Activities				
Instruction				
Regular	\$ 62,398,755	\$ 56,053,842	\$ 47,204,266	\$ 38,970,829
Special Education	14,940,133	9,920,717	5,511,677	7,014,600
Other Instruction	6,116,270	2,778,454	3,154,225	1,393,444
School Sponsored Activities and Athletics	1,501,429	3,066,029	1,183,683	3,066,029
Support Services				
Tuition		4,170,786		4,170,786
Student and Instruction Related Services	9,697,687	8,991,837	7,034,723	6,777,524
General Administration and Business Services	1,755,319	2,224,329	1,626,256	3,983,926
School Administration Services	8,986,658	9,016,478	6,967,497	6,722,061
Central Administration Services	2,454,507	2,239,559	2,060,962	6,722,061
Plant Operation and Maintenance	10,252,309	10,736,258	8,060,568	9,620,382
Pupil Transportation	1,927,028	1,740,244	1,679,469	1,642,464
Special Schools		75,827		62,889
Charter Schools		4,414,390		4,414,390
Interest and Other Charges on Debt	459,504	275,687	459,504	275,687
Total Governmental Activities	<u>\$ 120,489,599</u>	<u>\$ 115,704,437</u>	<u>\$ 84,942,830</u>	<u>\$ 94,837,072</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2019 was \$2,324,402. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidy to offset the cost of district employees working in the Food Service Program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's Governmental Funds reported a combined fund balance of \$665,918. The fund balance at June 30, 2018 was \$1,965,907. The decrease is attributable to the use of surplus funds to pay for operating costs of the district.

GENERAL FUND

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

The following schedule presents a summary of General Fund Revenues for the fiscal years ended June 30, 2019 and 2018.

	Fiscal Year Ended <u>June 30, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Increase (Decrease)	Percent
Revenues				
Local Sources:				
Property Tax Levy	\$ 52,728,607	\$ 51,694,717	\$ 1,033,890	2.0%
Miscellaneous	1,171,381	1,062,908	108,473	10.2%
State Sources	51,543,749	45,872,757	5,670,992	12.4%
Federal Sources	<u>190,397</u>	<u>130,478</u>	<u>59,919</u>	45.9%
Total Revenues	<u>\$ 105,634,134</u>	<u>\$ 98,760,860</u>	<u>\$ 6,873,274</u>	7.0%

The General Fund revenues are primarily funded from property taxes and State aid. These sources combine for 99% of the District's total revenue. The property tax levy increased over \$1 million and was within the State Tax Levy "CAP" guidelines. State sources increased significantly in 2018/2019. The Board received an additional \$3.5 million in Equalization and Special Education Aids. The Board's TPAF on-behalf payments were greater than the prior year payments. Revenue from federal sources (SEMI) increased 46%.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2019 and 2018.

	Fiscal Year Ended <u>June 30, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Increase (Decrease)	<u>Percent</u>
Expenditures				
Instruction	\$ 73,518,008	\$ 36,827,481	\$ 36,690,527	99.6%
Support Services	32,515,942	52,937,249	(20,421,307)	-38.6%
Capital Outlay	448,240	3,480,471	(3,032,231)	-87.1%
Special Schools		54,176	(54,176)	-100.0%
Charter School		4,414,390	(4,414,390)	-100.0%
Debt Service	<u>1,764,431</u>	<u>-</u>	<u>1,764,431</u>	
Total Expenditures	<u>\$ 108,246,621</u>	<u>\$ 97,713,767</u>	<u>\$ 10,532,854</u>	10.8%

Total General Fund expenditures increased \$10,532,854 or 10% from the previous year. This is a result of increases in contractual salaries, employee benefits and other operating costs of the District.

In 2018-2019 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$1,401,289. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2019 was a deficit of \$2,246,394. This deficit was eliminated upon the District's receipt of the 2018/2019 final state aid payments and extraordinary aid during the 2019/20 school year.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of June 30, 2018 year end encumbrances.
- Appropriation of additional state aid.
- Appropriation of surplus to fund tuition expenditures.

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

Revenues of the Special Revenue Fund were \$4,100,075, for the fiscal year ended June 30, 2019. State sources in the amount of \$699,024 accounted for 17% of the total revenue and federal sources in the amount of \$3,364,630 accounted for 82% of the total revenue in the special revenue fund.

Total Special Revenue Fund revenues decreased \$125,716 or 3% from the previous year. State sources decreased \$581,156, and Federal sources increased by \$436,250. Miscellaneous (local) sources increased \$19,190.

Expenditures of the Special Revenue Fund were \$4,065,329. Instructional expenditures were \$3,261,607 or 80%, expenditures for support services were \$797,163 or 20%, and expenditures for capital outlay were \$6,559 for the fiscal year ended June 30, 2019.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects Fund had revenue of \$90,767 from interest earnings and \$66,554 from State Aid. The interest earnings was transferred to the District's General Fund. The year end fund balance is \$545,758.

Debt service expenditures for 2018-2019 were \$1,365,100 in principal and interest, with \$984,504 funded from the property tax levy and \$380,596 from state aid.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

Capital Assets. At the end of the 2018-2019 fiscal year, the school district had invested in land, buildings, machinery and equipment as stated below:

	Governmental Activities		Business- Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 245,000	\$ 245,000		
Construction in Progress	14,837,027	14,837,027		
Site Improvements	2,563,760	2,537,100		
Buildings and Improvements	51,918,316	51,556,137		
Machinery and Equipment	<u>3,253,501</u>	<u>3,182,541</u>	\$ 504,030	\$ 462,300
Total	72,817,604	72,357,805	504,030	462,300
Less: Accumulated Depreciation	<u>(12,865,293)</u>	<u>(10,808,577)</u>	<u>(199,065)</u>	<u>(154,104)</u>
Total	<u>\$ 59,952,311</u>	<u>\$ 61,549,228</u>	<u>\$ 304,965</u>	<u>\$ 308,196</u>

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

Debt Administration. As of June 30, 2019 and 2018 the school district had long-term debt (exclusive of premium on bonds) and outstanding long-term liabilities as follows:

	<u>2019</u>	<u>2018</u>
Serial Bonds Payable	\$ 5,185,000	\$ 6,320,000
Obligations Under Capital Leases	2,962,824	3,297,807
Compensated Absences	13,439,900	15,481,583
Net Pension Liability (PERS)	<u>20,373,317</u>	<u>24,941,945</u>
Total	<u>\$ 41,961,041</u>	<u>\$ 50,041,335</u>

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BASIC FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,277,246	\$ 114,960	\$ 6,392,206
Receivables, net			
Receivables from Other Governments	3,239,725	87,548	3,327,273
Inventory		10,074	10,074
Internal Balances	(500,000)	500,000	
Capital Assets			
Not Being Depreciated	15,082,027		15,082,027
Being Depreciated, Net	44,870,284	304,965	45,175,249
Total Assets	<u>68,969,282</u>	<u>1,017,547</u>	<u>69,986,829</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	4,225,357		4,225,357
Deferred Amount on Refunding on Debt	206,191	-	206,191
Total Deferred Outflows of Resources	<u>4,431,548</u>	<u>-</u>	<u>4,431,548</u>
Total Assets and Deferred Outflows of Resources	<u>73,400,830</u>	<u>1,017,547</u>	<u>74,418,377</u>
LIABILITIES			
Accounts Payable	1,216,832	87,985	1,304,817
Payable to Federal/State Governments	21,933		21,933
Unearned Revenue	385,171	13,088	398,259
Accrued Interest Payable	95,058		95,058
Grant Note Payable	6,727,117		6,727,117
Noncurrent Liabilities			
Due Within One Year	3,438,731		3,438,731
Due Beyond One Year	38,827,078	-	38,827,078
Total Liabilities	<u>50,711,920</u>	<u>101,073</u>	<u>50,812,993</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	7,837,312		7,837,312
Deferred Commodities Revenue	-	680	680
Total Deferred Inflows of Resources	<u>7,837,312</u>	<u>680</u>	<u>7,837,992</u>
Total Liabilities and Deferred Inflows of Resources	<u>58,549,232</u>	<u>101,753</u>	<u>58,650,985</u>
NET POSITION			
Net Investment in Capital Assets	53,069,476	304,965	53,374,441
Restricted for:			
Capital Projects	1,097,480		1,097,480
Debt Service	40,838		40,838
Unrestricted	(39,356,196)	610,829	(38,745,367)
Total Net Position	<u>\$ 14,851,598</u>	<u>\$ 915,794</u>	<u>\$ 15,767,392</u>

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

**KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 62,398,755	\$ 40,815	\$ 15,153,674	\$ (47,204,266)		\$ (47,204,266)
Special Education	14,940,133	95,584	9,332,872	(5,511,677)		(5,511,677)
Other Instruction	6,116,270	59,855	2,902,190	(3,154,225)		(3,154,225)
School Sponsored Activities and Athletics	1,501,429		317,746	(1,183,683)		(1,183,683)
Support Services						
Student and Instruction Related Svcs.	9,697,687		2,662,964	(7,034,723)		(7,034,723)
General Administration Services	1,755,319		129,063	(1,626,256)		(1,626,256)
School Administration Services	8,986,658		2,019,161	(6,967,497)		(6,967,497)
Central Administrative Services	2,454,507		393,545	(2,060,962)		(2,060,962)
Plant Operations and Maintenance	10,252,309		2,191,741	(8,060,568)		(8,060,568)
Pupil Transportation	1,927,028		247,559	(1,679,469)		(1,679,469)
Interest and Other Charges on Long-Term Debt	459,504			(459,504)		(459,504)
Total Governmental Activities	<u>120,489,599</u>	<u>196,254</u>	<u>35,350,515</u>	<u>(84,942,830)</u>	<u>-</u>	<u>(84,942,830)</u>
Business-Type Activities						
Food Service	<u>2,324,402</u>	<u>584,292</u>	<u>1,455,269</u>	<u>-</u>	<u>\$ (284,841)</u>	<u>(284,841)</u>
Total Business-Type Activities	<u>2,324,402</u>	<u>584,292</u>	<u>1,455,269</u>	<u>-</u>	<u>(284,841)</u>	<u>(284,841)</u>
Total Primary Government	<u>\$ 122,814,001</u>	<u>\$ 780,546</u>	<u>\$ 36,805,784</u>	<u>(84,942,830)</u>	<u>(284,841)</u>	<u>(85,227,671)</u>
General Revenues:						
Property Taxes, General				52,728,607		52,728,607
Property Taxes, Debt Service				984,504		984,504
Federal and State Aid - Unrestricted				30,254,045		30,254,045
State Aid- Restricted for Debt Service				380,596		380,596
Investment Income				255,407		255,407
Miscellaneous Income				877,041		877,041
Transfers and Other Items						
Lease Obligations Paid And/Or Assumed by Vendor				575,525		575,525
Donated Capital Assets				5,000		5,000
Transfers				(377,796)	377,796	-
Total General Revenues and Transfers				<u>85,682,929</u>	<u>377,796</u>	<u>86,060,725</u>
Change in Net Position				740,099	92,955	833,054
Net Position, Beginning of Year (Restated)				<u>14,111,499</u>	<u>822,839</u>	<u>14,934,338</u>
Net Position, End of Year				<u>\$ 14,851,598</u>	<u>\$ 915,794</u>	<u>\$ 15,767,392</u>

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

FUND FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 450,953		\$ 5,826,292	\$ 1	\$ 6,277,246
Due from Other Funds	639,389				639,389
Receivables, Net					
Receivables From Other Governments	<u>298,780</u>	<u>\$ 961,944</u>	<u>1,979,001</u>	<u>-</u>	<u>3,239,725</u>
Total Assets	<u>\$ 1,389,122</u>	<u>\$ 961,944</u>	<u>\$ 7,805,293</u>	<u>\$ 1</u>	<u>\$ 10,156,360</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 762,246	\$ 454,586			\$ 1,216,832
Due to Other Funds	500,000	106,971	\$ 532,418		1,139,389
Payable to Federal/State Governments		21,933			21,933
Grant Anticipation Note Payable			6,727,117		6,727,117
Unearned Revenue	<u>6,717</u>	<u>378,454</u>	<u>-</u>	<u>-</u>	<u>385,171</u>
Total Liabilities	<u>1,268,963</u>	<u>961,944</u>	<u>7,259,535</u>	<u>-</u>	<u>9,490,442</u>
Fund Balances					
Restricted					
Capital Reserve	592,559				592,559
Maintenance Reserve	1,031,500				1,031,500
Adult Education Program	55,678				55,678
Capital Projects			504,921		504,921
Debt Service			40,837	\$ 1	40,838
Committed					
Encumbrances	393,301				393,301
Assigned					
Designated for Subsequent Year's					
Budget	156,636				156,636
Encumbrances	136,879				136,879
Unassigned					
General Fund	<u>(2,246,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,246,394)</u>
Total Fund Balances	<u>120,159</u>	<u>-</u>	<u>545,758</u>	<u>1</u>	<u>665,918</u>
Total Liabilities and Fund Balances	<u>\$ 1,389,122</u>	<u>\$ 961,944</u>	<u>\$ 7,805,293</u>	<u>\$ 1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$72,817,604 and the accumulated depreciation is \$12,865,293.

59,952,311

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

(95,058)

Long-term liabilities, including bonds payable, deferred outflows/inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 2 for Details)

(45,671,573)

Net Position of Governmental Activities

\$ 14,851,598

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 52,728,607			\$ 984,504	\$ 53,713,111
Miscellaneous	<u>1,171,381</u>	<u>\$ 36,421</u>	<u>\$ 90,767</u>	<u>-</u>	<u>1,298,569</u>
Total - Local Sources	53,899,988	36,421	90,767	984,504	55,011,680
State Sources	51,543,749	699,024	66,554	380,596	52,689,923
Federal Sources	<u>190,397</u>	<u>3,364,630</u>	<u>-</u>	<u>-</u>	<u>3,555,027</u>
Total Revenues	<u>105,634,134</u>	<u>4,100,075</u>	<u>157,321</u>	<u>1,365,100</u>	<u>111,256,630</u>
EXPENDITURES					
Current					
Instruction					
Regular Instruction	55,221,976	456,280			55,678,256
Special Education Instruction	12,795,823	1,209,066			14,004,889
Other Instruction	4,100,783	1,596,261			5,697,044
School Sponsored Activities and Athletics	1,399,426				1,399,426
Support Services					
Student and Instruction Related Services	8,263,796	797,163			9,060,959
General Administrative Services	1,694,724				1,694,724
School Administrative Services	8,304,361				8,304,361
Plant Operations and Maintenance	10,035,591				10,035,591
Pupil Transportation	1,896,007				1,896,007
Business and Central Services	2,321,463				2,321,463
Debt Service					
Principal	1,477,139			1,135,000	2,612,139
Interest and Other Charges	287,292			230,100	517,392
Capital Outlay	<u>448,240</u>	<u>6,559</u>	<u>-</u>	<u>-</u>	<u>454,799</u>
Total Expenditures	<u>108,246,621</u>	<u>4,065,329</u>	<u>-</u>	<u>1,365,100</u>	<u>113,677,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,612,487)</u>	<u>34,746</u>	<u>157,321</u>	<u>-</u>	<u>(2,420,420)</u>
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds	1,498,227		-		1,498,227
Transfers In	90,767			-	90,767
Transfers Out	<u>(377,796)</u>	<u>-</u>	<u>(90,767)</u>	<u>-</u>	<u>(468,563)</u>
Total Other Financing Sources and Uses	<u>1,211,198</u>	<u>-</u>	<u>(90,767)</u>	<u>-</u>	<u>1,120,431</u>
Net Change in Fund Balances	(1,401,289)	34,746	66,554	-	(1,299,989)
Fund Balance, Beginning of Year	<u>1,521,448</u>	<u>(34,746)</u>	<u>479,204</u>	<u>1</u>	<u>1,965,907</u>
Fund Balance, End of Year	<u>\$ 120,159</u>	<u>\$ -</u>	<u>\$ 545,758</u>	<u>\$ 1</u>	<u>\$ 665,918</u>

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

**KEARNY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ (1,299,989)**

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

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

Capital Outlays	\$ 454,799	
Depreciation Expense	<u>(2,056,716)</u>	
		(1,601,917)

The net effect of donated capital assets is an increase in net position. These transactions are not reported in the governmental funds financial statements.

Donated Capital Assets	5,000
------------------------	-------

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

Capital Lease Proceeds	(1,498,227)
------------------------	-------------

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

Net Decrease in Compensated Absences Liability	2,041,683
--	-----------

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

Repayment of Bond Principal	1,135,000	
Amortization of Premium	114,640	
Amortization of Deferred Amount on Refunding	(77,560)	
Repayment of Lease Purchase Obligations	<u>1,477,139</u>	
		2,649,219

Lease Obligations Paid And/Or Assumed by Vendor	575,525
---	---------

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

Decrease in Accrued Interest	20,808
------------------------------	--------

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

Increase in Pension Expense - Public Employees' Retirement System	<u>(152,003)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 740,099**

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

**KEARNY BOARD OF EDUCATION
PROPRIETARY FUNDS
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 114,960
Intergovernmental Accounts Receivable	87,548
Inventories	10,074
Due From Other Funds	<u>500,000</u>

Total Current Assets 712,582

Capital Assets

Furniture, Machinery and Equipment	504,030
Less Accumulated Depreciation	<u>(199,065)</u>

Total Capital Assets 304,965

Total Assets 1,017,547

LIABILITIES

Current Liabilities

Accounts Payable	87,985
Unearned Revenue	<u>13,088</u>

Total Liabilities 101,073

DEFERRED INFLOWS OF RESOURCES

Deferred Commodities Revenue	<u>680</u>
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Total Deferred Inflows of Resources 680

Total Liabilities and Deferred Inflows of Resources 101,753

NET POSITION

Investment in Capital Assets	304,965
Unrestricted	<u>610,829</u>

Total Net Position \$ 915,794

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES

Charges for Services	
Daily Sales	
Reimbursable Programs	\$ 333,323
Non-Reimbursable Programs	243,260
Special Functions	<u>7,709</u>
Total Operating Revenues	<u>584,292</u>

OPERATING EXPENSES

Cost of Sales	
Reimbursable Programs	861,068
Non-Reimbursable Programs	86,353
Personnel Costs	1,059,025
Management Fee	83,898
Other Expenses	107,731
Supplies and Materials	81,366
Depreciation	<u>44,961</u>
Total Operating Expenses	<u>2,324,402</u>

Operating Income (Loss)	<u>(1,740,110)</u>
-------------------------	--------------------

NONOPERATING REVENUES

State Sources	
State School Lunch Program	23,273
Federal Sources	
National School Lunch Program	1,084,927
National School Breakfast Program	196,944
Food Distribution Program	<u>150,125</u>
Total Nonoperating Revenues	<u>1,455,269</u>

Operating (Loss) Before Transfers	(284,841)
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Net Transfers	<u>377,796</u>
---------------	----------------

Change in Net Position	92,955
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Total Net Position, Beginning of Year (Restated)	<u>822,839</u>
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Total Net Position, End of Year	<u><u>\$ 915,794</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 584,292
Cash Payments for Employees Salaries and Benefits	(1,059,025)
Cash Payments to Suppliers	<u>(1,113,840)</u>
Net Cash (Used for) Operating Activities	<u>(1,588,573)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash Payments to General Fund	(122,204)
Cash Received from State and Federal Sources	<u>1,325,306</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,203,102</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Capital Assets	<u>(41,730)</u>
Net Cash (Used For) Capital Financing Activities	<u>(41,730)</u>
Net Change in Cash and Cash Equivalents	(427,201)
Cash and Cash Equivalents, Beginning of Year	<u>542,161</u>
Cash and Cash Equivalents, End of Year	<u>\$ 114,960</u>

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

Operating Income (Loss)	\$ <u>(1,740,110)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used for) Operating Activities	
Depreciation	44,961
Non Cash Federal Assistance-Food Distribution Program	150,125
(Increase) Decrease in Inventories	(1,123)
Increase (Decrease) in Deferred Commodities Revenue	(6,222)
Increase (Decrease) in Accounts Payable	<u>(36,204)</u>
Total Adjustments	<u>151,537</u>
Net Cash (Used for) Operating Activities	<u>\$ (1,588,573)</u>

Non-Cash Financing Activities:

Fair Value Received - Food Distribution Program	\$ 143,903
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019**

	Scholarship Trust Funds	Unemployment Compensation Trust Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 803,194	\$ 951,659	\$ 470,450
Accounts Receivable		24,777	
Due from Other Funds	-	-	943
Total Assets	803,194	976,436	\$ 471,393
LIABILITIES			
Intergovernmental Payable		17,794	
Accounts Payable		506	
Due to Other Funds		943	
Due To Student Groups			\$ 344,619
Payroll Deductions and Withholdings	-	-	126,774
Total Liabilities	-	19,243	\$ 471,393
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	\$ 803,194	\$ 957,193	

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

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>
ADDITIONS		
Interest Earnings	\$ 3,210	\$ 16,781
Scholarship Bequests/Donations	59,632	
Employee Contributions	-	84,343
	<hr/>	<hr/>
Total Additions	62,842	101,124
	<hr/>	<hr/>
DEDUCTIONS		
Scholarships Awarded	62,075	
Other Expenses	126	6,066
Unemployment Claims and Contributions	-	52,816
	<hr/>	<hr/>
Total Deductions	62,201	58,882
	<hr/>	<hr/>
Change in Net Position	641	42,242
Net Position, Beginning of Year	802,553	914,951
	<hr/>	<hr/>
Net Position, End of Year	\$ 803,194	\$ 957,193
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2019, the District adopted the following GASB statements:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

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

District-Wide Financial Statements

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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

Reclassifications

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. *Cash, Cash Equivalents and Investments*

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

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

2. *Receivables*

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories

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

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Site Improvements	20
Buildings and Improvements	20-40
Machinery and Equipment	5-20
Vehicles	8

5. Deferred Outflows/Inflows of Resources

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Deferred Outflows/Inflows of Resources (Continued)

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

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

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

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Long-Term Obligations*

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

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3c).

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 3d).

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

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

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

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

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

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

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

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

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

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2017-2018 and 2018-2019 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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

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

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, deferred outflows/inflows of resources are not due and payable in the current period and therefore are not reported in the funds.” The details are as follows:

General Obligation Bonds Payable	\$ 5,185,000
Premium on Bonds	304,768
Deferred Amount on Debt Refunding	(206,191)
Obligations Under Lease Purchase Agreements	2,962,824
Compensated Absences	13,439,900
Net Pension Liability	20,373,317
Deferred Inflows of Resources	
Deferred Amounts on Net Pension Liability	7,837,312
Deferred Outflows of Resources	
Deferred Amounts on Net Pension Liability	<u>(4,225,357)</u>
	<u>\$ 45,671,573</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Districts that have their school board members elected in November do not have to submit their budgets that meet levy cap requirements for voter approval. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$6,611,148. The increase was funded by additional surplus appropriated, additional state aid, grant awards and the reappropriation of prior year general fund encumbrances. On June 17, 2019 the Board authorized and approved additional fund balance appropriations of \$500,000.

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

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

B. Deficit Fund Equity

The District has an unassigned fund deficit of \$2,246,394 in the General Fund as of June 30, 2019 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2018/2019 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity (Continued)

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The deficit in the GAAP (fund) financial statements of \$2,246,394 in the General Fund is less than the delayed state aid payments at June 30, 2019.

C. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 585,866
Increased by:	
Interest Earnings	<u>6,693</u>
Balance, June 30, 2019	<u>\$ 592,559</u>

D. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve 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. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district’s school facilities for the current year.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Maintenance Reserve (Continued)

The activity of the maintenance reserve for the fiscal year ended June 30, 2019 is as follows:

Increased by:	
Deposit Approved by Board Resolution	<u>\$ 1,031,500</u>
Balance, June 30, 2019	<u>\$ 1,031,500</u>

E. Transfers to Capital Outlay

During the 2018/2019 school year, the district transferred \$738,787 to the non-equipment capital outlay accounts.

F. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Capital Outlay			
Equipment			
Undistributed Expenditures			
Instruction	<u>\$42,620</u>	<u>\$52,620</u>	<u>\$10,000</u>

The above variances were offset with other available resources.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Board's deposits were \$8,617,509 and bank and brokerage firm balances of the Board's deposits amounted to \$9,052,377. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 9,052,377</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2019 none of the Board's bank balances were exposed to custodial credit risk.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; 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 “Local Authorities Fiscal Control Law,” (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 school districts; Local Government investment pools; 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2019, the Board had no outstanding investments.

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

B. Receivables

Receivables as of June 30, 2019 for the district’s individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Unemployment Compensation Trust</u>	<u>Total</u>
Receivables:						
Intergovernmental						
Federal		\$ 961,944	\$ 1,481,712	\$ 86,065		\$ 2,529,721
State	\$ 298,780		126,861	1,483		427,124
Other	-	-	370,428	-	\$ 24,777	395,205
	<u>298,780</u>	<u>961,944</u>	<u>1,979,001</u>	<u>87,548</u>	<u>24,777</u>	<u>3,352,050</u>
Gross Receivables	298,780	961,944	1,979,001	87,548	24,777	3,352,050
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 298,780</u>	<u>\$ 961,944</u>	<u>\$ 1,979,001</u>	<u>\$ 87,548</u>	<u>\$ 24,777</u>	<u>\$ 3,352,050</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

	<u>Total</u>
General Fund	
Revenue Collected for Subsequent School Year	\$ 6,717
Special Revenue Fund	
Unencumbered Grant Drawdowns	373,810
Grant Draw Downs Reserved for Encumbrances	<u>4,644</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 385,171</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance, July 1, 2018</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance, June 30, 2019</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 245,000			\$ 245,000
Construction in Progress	<u>14,837,027</u>	-	-	<u>14,837,027</u>
Total Capital Assets, Not Being Depreciated	<u>15,082,027</u>	-	-	<u>15,082,027</u>
Capital Assets, Being Depreciated:				
Site Improvements	2,537,100	\$ 26,660		2,563,760
Buildings and Improvements	51,556,137	362,179		51,918,316
Machinery and Equipment	<u>3,182,541</u>	<u>70,960</u>	-	<u>3,253,501</u>
Total Capital Assets Being Depreciated	<u>57,275,778</u>	<u>459,799</u>	-	<u>57,735,577</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,097,748)	(126,855)		(1,224,603)
Buildings and Improvements	(7,244,357)	(1,786,808)		(9,031,165)
Machinery and Equipment	<u>(2,466,472)</u>	<u>(143,053)</u>	-	<u>(2,609,525)</u>
Total Accumulated Depreciation	<u>(10,808,577)</u>	<u>(2,056,716)</u>	-	<u>(12,865,293)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,467,201</u>	<u>(1,596,917)</u>	-	<u>44,870,284</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,549,228</u>	<u>\$ (1,596,917)</u>	<u>\$ -</u>	<u>\$ 59,952,311</u>

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2018	Increases	Decreases/ Adjustments	Balance, June 30, 2019
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 462,300	\$ 41,730	-	\$ 504,030
Total Capital Assets Being Depreciated	<u>462,300</u>	<u>41,730</u>	<u>-</u>	<u>504,030</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(154,104)	(44,961)	-	(199,065)
Total Accumulated Depreciation	<u>(154,104)</u>	<u>(44,961)</u>	<u>-</u>	<u>(199,065)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 308,196</u>	<u>\$ (3,231)</u>	<u>\$ -</u>	<u>\$ 304,965</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 2,013,525
Special	<u>1,028</u>
Total Instruction	<u>2,014,553</u>
Support Services	
Support Services - Students	11,312
General Administration	10,078
School Administration	1,440
Operations and Maintenance of Plant	5,964
Student Transportation	<u>13,369</u>
Total Support Services	<u>42,163</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,056,716</u>
Business-Type Activities:	
Food Service Fund	\$ 44,961
Total Depreciation Expense-Business-Type Activities	<u>\$ 44,961</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 106,971
General Fund	Capital Projects Fund	532,418
Food Service Enterprise Fund	General Fund	500,000
Payroll Agency Fund	Unemployment Compensation Trust	<u>943</u>
Total		<u>\$ 1,140,332</u>

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

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

Interfund transfers

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
<u>Transfer Out:</u>			
General Fund		\$ 377,796	\$ 377,796
Capital Projects Fund	\$ 90,767	-	<u>90,767</u>
Total Transfers Out	<u>\$ 90,767</u>	<u>\$ 377,796</u>	<u>\$ 468,563</u>

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing computers, equipment and copy machines under various capital leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2020	\$ 1,377,789
2021	1,278,067
2022	175,914
2023	175,914
2024	<u>117,275</u>
Total Minimum Lease Payments	3,124,959
Less: Amount Representing Interest	<u>(162,135)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,962,824</u>

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2019 are comprised of the following issues:

\$6,740,000, 2015 Bonds, due in annual installments of \$205,000 to \$1,140,000 through July 15, 2025, interest at 4.0%	<u>\$5,185,000</u>
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**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,135,000	\$ 184,700	\$ 1,319,700
2021	1,140,000	139,200	1,279,200
2022	1,140,000	93,600	1,233,600
2023	1,140,000	48,000	1,188,000
2024	205,000	21,100	226,100
2025-2026	<u>425,000</u>	<u>17,100</u>	<u>442,100</u>
	<u>\$ 5,185,000</u>	<u>\$ 503,700</u>	<u>\$ 5,688,700</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 150,241,636
Less: Net Debt	<u>5,185,000</u>
Remaining Borrowing Power	<u>\$ 145,056,636</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 6,320,000		\$ 1,135,000	\$ 5,185,000	\$ 1,135,000
Add: Premium on Bonds	419,408	-	114,640	304,768	-
Total Bonds Payable	6,739,408	-	1,249,640	5,489,768	1,135,000
Obligations Under Lease Purchase	3,517,261	\$ 1,498,227	2,052,664	2,962,824	1,291,922
Compensated Absences	15,481,583		2,041,683	13,439,900	1,011,809
Net Pension Liability	24,941,945	-	4,568,628	20,373,317	-
Governmental Activity Long-Term Liabilities	<u>\$ 50,680,197</u>	<u>\$ 1,498,227</u>	<u>\$ 9,912,615</u>	<u>\$ 42,265,809</u>	<u>\$ 3,438,731</u>

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

I. Short-Term Debt

The Board’s short-term activity for the fiscal year ended June 30, 2019 was as follows:

Grant Anticipation Notes

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority’s Facility construction grants. The Board’s short-term debt activity for the fiscal year ended June 30, 2019 was as follows:

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance, July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2019</u>
Grant Anticipation Note	2.25%	10/5/2018	\$ 15,000,000		\$ 15,000,000	
Grant Anticipation Note	2.75%	7/10/2019	-	\$ 6,727,117	-	\$ 6,727,117
			<u>\$ 15,000,000</u>	<u>\$ 6,727,117</u>	<u>\$ 15,000,000</u>	<u>\$ 6,727,117</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION

A. Risk Management

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

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

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

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 84,343	\$ 52,816	\$ 957,193
2018	135,756	178,484	914,951
2017	125,369	157,808	878,116

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2019, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 ten years of service credit and have not reached the service retirement age for the respective tier.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represent the membership tiers for TPAF:

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

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

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee’s annual compensation for fiscal year 2019.

PERS employers’ and TPAF nonemployer State’s contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State’s annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$ 1,029,222	\$ 7,679,885	\$ 62,472
2018	992,596	5,683,050	49,767
2017	972,177	4,359,040	49,596

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$2,881, \$8,676 and \$3,771, respectively for PERS and the State contributed \$6,256, \$7,888 and \$9,663, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,982,589 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$20,373,317 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District's proportionate share was .10347 percent, which was a decrease of .00368 percent from its proportionate share measured as of June 30, 2017 of .10715 percent.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,181,225 for PERS. The pension contribution made by the District during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 388,522	\$ 105,051
Changes of Assumptions	3,357,185	6,514,303
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		191,103
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>479,650</u>	<u>1,026,855</u>
Total	<u>\$ 4,225,357</u>	<u>\$ 7,837,312</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 236,959
2021	(266,129)
2022	(1,663,644)
2023	(1,438,028)
2024	(481,113)
Thereafter	<u>-</u>
	<u>\$ (3,611,955)</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.66%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 25,617,099</u>	<u>\$ 20,373,317</u>	<u>\$ 15,974,119</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018. A sensitivity analysis specific to the District's net pension liability at June 30, 2018 was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$13,973,040 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$239,689,170. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .37676 percent, which was a decrease of .02181 percent from its proportionate share measured as of June 30, 2017 of .39857 percent.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 283,308,047</u>	<u>\$ 239,689,170</u>	<u>\$ 203,530,184</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 was not provided by the pension system.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
 Total	 <u><u>362,181</u></u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$3,483,583, \$3,670,561 and \$3,632,071, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$6,960,767. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$161,310,411. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the District was .35 percent, which was non change from its proportionate share measured as of June 30, 2017 of .35 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%

Mortality Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Long-Term Rate of Return 1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State’s proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2017 Measurement Date	\$ 189,863,171
Changes Recognized for the Fiscal Year:	
Service Cost	6,798,969
Interest on the Total OPEB Liability	6,966,619
Differences Between Expected and Actual Experience	(19,642,865)
Changes of Assumptions	(18,511,177)
Gross Benefit Payments	(4,313,383)
Contributions from the Member	149,077
Net Changes	\$ (28,552,760)
Balance, June 30, 2018 Measurement Date	\$ 161,310,411

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State’s proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.87%, as well as what the State’s proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 190,701,743</u>	<u>\$ 161,310,411</u>	<u>\$ 137,947,337</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	<u>\$ 133,332,450</u>	<u>\$ 161,310,411</u>	<u>\$ 198,312,336</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

F. Subsequent Events

The Board authorized the issuance of \$2,000,000 of Grant Anticipation Notes for the purpose of financing the District’s aircraft noise abatement projects. The Board has awarded the sale of said notes to Oppenheimer & Co. at an interest rate of 2.35%. These notes are dated July 10, 2019 and mature on July 9, 2020.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

G. Tax Abatements

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

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

NOTE 6 RESTATEMENT

The financial statements as of June 30, 2018 have been adjusted to reflect certain unrecorded transactions and corrections to account balances from the amounts reported in previously issued financial statements. The adjustments are as follows:

Governmental Activities

The June 30, 2018 governmental activities financial statements have been restated to reflect adjustments to the value of reported capital leases (increase of \$219,454) deferred amounts on refundings (decrease of \$66,970), adjustment to the deferred amounts on net pension liability (decrease to deferred outflow of \$992,596) and adjustment to the premium on refunding (decrease of \$2,675). The effect of these restatements is to decrease net position of governmental activities by \$1,142,405 from \$15,253,904 as previously reported to \$14,111,499 as of June 30, 2018.

Agency Fund

The June 30, 2018 Agency Fund financial statements have been restated to correct the cash balance of the Student Activity Funds. The net effect of the adjustment is a decrease of \$102,424 to cash and cash equivalents and a similar decrease due to student groups.

BUDGETARY COMPARISON SCHEDULES

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 52,728,607		\$ 52,728,607	\$ 52,728,607	
Tuition from Other LEAs Within the State	8,000		8,000	95,584	\$ 87,584
Tuition from Other Governmental Sources Within the State	10,400		10,400	34,400	24,000
Tuition from Summer School	8,000		8,000	6,415	(1,585)
Rents and Royalties	40,000		40,000	41,144	1,144
Private Contributions	50,000		50,000		(50,000)
Interest on Capital Reserve	50		50	6,693	6,643
Unrestricted Miscellaneous Revenues	321,000	-	321,000	927,290	606,290
Total Local Sources	<u>53,166,057</u>	<u>-</u>	<u>53,166,057</u>	<u>53,840,133</u>	<u>674,076</u>
Intermediate Sources					
Restricted Miscellaneous Revenues	-	-	-	59,855	59,855
State Sources					
Equalization Aid	28,396,355	\$ 2,398,469	30,794,824	30,794,824	
Special Education Aid	4,099,444	1,101,531	5,200,975	5,200,975	
Security Aid	2,040,647		2,040,647	2,040,647	
Transportation Aid	239,445		239,445	239,445	
Extraordinary Aid	300,000		300,000	578,942	278,942
On Behalf TPAF (Non Budgeted)					
NCGI Premium				157,464	157,464
Pension Contribution				7,522,421	7,522,421
Long Term Disability Insurance				6,256	6,256
Post Retirement Medical Contributions				3,483,583	3,483,583
Reimbursed Social Security Contribution	-	-	-	2,982,589	2,982,589
Total State Sources	<u>35,075,891</u>	<u>3,500,000</u>	<u>38,575,891</u>	<u>53,007,146</u>	<u>14,431,255</u>
Federal Sources					
Medicaid Assistance Program	140,116	-	140,116	190,397	50,281
Total Federal Sources	<u>140,116</u>	<u>-</u>	<u>140,116</u>	<u>190,397</u>	<u>50,281</u>
Total Revenues	<u>88,382,064</u>	<u>3,500,000</u>	<u>91,882,064</u>	<u>107,097,531</u>	<u>15,215,467</u>
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	425,259	27,091	452,350	452,350	-
Kindergarten	1,360,593	91,371	1,451,964	1,451,964	-
Grades 1-5	8,363,339	512,307	8,875,646	8,875,646	-
Grades 6-8	5,512,046	470,201	5,982,247	5,977,995	4,252
Grades 9-12	7,630,908	662,796	8,293,704	8,292,518	1,186
Regular Programs - Home Instruction					
Salaries of Teachers	911,067	(84,958)	826,109	774,162	51,947
Other Salaries for Instruction	1,403,689	147,812	1,551,501	1,551,501	-
Purchased Professional Educational Services	23,000	23,114	46,114	46,114	-
Other Objects	1,400,000	(1,400,000)	-	-	-
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	472	-	472	-	472
Purchased Professional Educational Services	392,033	145,335	537,368	535,667	1,701
Other Purchased Services	457,760	430,891	888,651	888,651	-
General Supplies	825,021	(217,152)	607,869	607,076	793
Instructional Supplies Acquired Under Lease Purchase (Non-Budgeted)				1,498,227	(1,498,227)
Textbooks	312,496	(116,988)	195,508	192,978	2,530
Other Objects	100,800	(44,287)	56,513	39,747	16,766
Total Regular Programs	<u>29,118,483</u>	<u>647,533</u>	<u>29,766,016</u>	<u>31,184,596</u>	<u>(1,418,580)</u>
Learning /Language Disabilities					
Salaries of Teachers	1,052,337	74,928	1,127,265	1,127,265	-
General Supplies	4,500	(3,281)	1,219	1,219	-
Total Learning /Language Disabilities	<u>1,056,837</u>	<u>71,647</u>	<u>1,128,484</u>	<u>1,128,484</u>	<u>-</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Behavioral Disabilities					
Salaries of Teachers	\$ 68,547	\$ (68,547)	-	-	-
Total Behavioral Disabilities	<u>68,547</u>	<u>(68,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resource Room/Resource Center					
Salaries of Teachers	3,766,629	681,643	\$ 4,448,272	\$ 4,448,272	-
Total Resource Room/Resource Center	<u>3,766,629</u>	<u>681,643</u>	<u>4,448,272</u>	<u>4,448,272</u>	<u>-</u>
Preschool Disabilities - Part - Time					
Salaries of Teachers	62,359	(16,340)	46,019	46,019	-
Other Salaries for Instruction	216,689	-	216,689	212,177	\$ 4,512
Total Preschool Disabilities - Part - Time	<u>279,048</u>	<u>(16,340)</u>	<u>262,708</u>	<u>258,196</u>	<u>4,512</u>
Total Special Education	<u>5,171,061</u>	<u>668,403</u>	<u>5,839,464</u>	<u>5,834,952</u>	<u>4,512</u>
Basic Skills/Remedial					
Salaries of Teachers	357,000	87,847	444,847	444,847	-
General Supplies	563	(563)	-	-	-
Total Basic Skills/Remedial	<u>357,563</u>	<u>87,284</u>	<u>444,847</u>	<u>444,847</u>	<u>-</u>
Bilingual Education					
Salaries of Teachers	1,557,232	254,269	1,811,501	1,809,541	1,960
General Supplies	10,000	(8,258)	1,742	1,742	-
Textbooks	9,000	1,623	10,623	10,623	-
Total Bilingual Education	<u>1,576,232</u>	<u>247,634</u>	<u>1,823,866</u>	<u>1,821,906</u>	<u>1,960</u>
Vocational Programs- Local - Instruction					
Salaries of Teachers	273,139	(7,334)	265,805	265,805	-
General Supplies	46,892	(20,747)	26,145	25,840	305
Total Vocational Programs- Local - Instruction	<u>320,031</u>	<u>(28,081)</u>	<u>291,950</u>	<u>291,645</u>	<u>305</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	149,283	(52,215)	97,068	97,068	-
Purchased Services	20,608	2,850	23,458	21,727	1,731
Total School Sponsored Co/Extra Curricular Activities	<u>169,891</u>	<u>(49,365)</u>	<u>120,526</u>	<u>118,795</u>	<u>1,731</u>
School Sponsored Athletics					
Salaries	508,970	13,761	522,731	522,731	-
Purchased Services	221,500	19,559	241,059	217,415	23,644
Supplies and Materials	65,175	27,092	92,267	54,734	37,533
Other Objects	135,497	(7,552)	127,945	125,843	2,102
Total School Sponsored Athletics	<u>931,142</u>	<u>52,860</u>	<u>984,002</u>	<u>920,723</u>	<u>63,279</u>
Before/After School Programs					
Salaries of Teachers	-	5,117	5,117	5,117	-
Total Before/After School Programs	<u>-</u>	<u>5,117</u>	<u>5,117</u>	<u>5,117</u>	<u>-</u>
Total - Instruction	<u>37,644,403</u>	<u>1,631,385</u>	<u>39,275,788</u>	<u>40,622,581</u>	<u>(1,346,793)</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Special	\$ 42,800	\$ (42,800)			-
Tuition to Private School for Disabled W/I State	3,430,974	688,349	\$ 4,119,323	\$ 3,585,375	\$ 533,948
Tuition-State Facilities	4,500	(4,500)	-	-	-
Total Undistributed Expenditures - Instruction	<u>3,478,274</u>	<u>641,049</u>	<u>4,119,323</u>	<u>3,585,375</u>	<u>533,948</u>
Attendance and Social Work					
Salaries	18,942	-	18,942	18,513	429
Total Attendance and Social Work	<u>18,942</u>	<u>-</u>	<u>18,942</u>	<u>18,513</u>	<u>429</u>
Health Services					
Salaries	717,863	(21,157)	696,706	696,706	-
Other Purchased Services	99,200	(12,262)	86,938	85,720	1,218
Supplies and Materials	11,020	(1,408)	9,612	9,477	135
Total Health Services	<u>828,083</u>	<u>(34,827)</u>	<u>793,256</u>	<u>791,903</u>	<u>1,353</u>
Speech, OT, PT & Related Services					
Purchased Professional - Educational Services	585,860	21,007	606,867	606,867	-
Total Speech, OT, PT & Related Services	<u>585,860</u>	<u>21,007</u>	<u>606,867</u>	<u>606,867</u>	<u>-</u>
Guidance					
Salaries of Other Professional Staff	1,118,600	103,129	1,221,729	1,221,729	-
Salaries of Secretarial and Clerical Assistants	115,808	4,958	120,766	120,766	-
Purchased Professional-Educational Services	6,334	111	6,445	6,445	-
Supplies and Materials	1,665	(160)	1,505	1,505	-
Other Objects	1,150	(173)	977	977	-
Total Guidance	<u>1,243,557</u>	<u>107,865</u>	<u>1,351,422</u>	<u>1,351,422</u>	<u>-</u>
Child Study Teams					
Salaries of Other Professional Staff	1,408,392	403,944	1,812,336	1,812,336	-
Salaries of Secretarial and Clerical Assistants	101,655	(25,126)	76,529	76,529	-
Other Purchased Services	1,150	18,457	19,607	19,607	-
Supplies and Materials	31,500	(12,744)	18,756	18,394	362
Total Child Study Teams	<u>1,542,697</u>	<u>384,531</u>	<u>1,927,228</u>	<u>1,926,866</u>	<u>362</u>
Improvement of Instructional Service					
Salaries of Other Professional Staff	147,709	(147,709)			-
Salaries of Secretarial and Clerical Assistants	34,480	(6,891)	27,589	27,589	-
Salaries of Facilitators, Math & Literacy Coaches	381,816	(41,080)	340,736	340,736	-
Total Improvement of Instructional Service	<u>564,005</u>	<u>(195,680)</u>	<u>368,325</u>	<u>368,325</u>	<u>-</u>
Educational Media Services/School Library					
Salaries	373,434	60,401	433,835	433,835	-
Supplies and Materials	20,594	(1,529)	19,065	18,870	195
Total Educational Media Services/School Library	<u>394,028</u>	<u>58,872</u>	<u>452,900</u>	<u>452,705</u>	<u>195</u>
Instructional Staff Training Services					
Purchased Professional-Educational Services	55,000	(19,256)	35,744	35,744	-
Supplies and Materials	4,500	7,208	11,708	11,708	-
Other Objects	10,000	5,347	15,347	15,078	269
Total Instructional Staff Training Services	<u>69,500</u>	<u>(6,701)</u>	<u>62,799</u>	<u>62,530</u>	<u>269</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Support Services General Administration					
Salaries	\$ 1,062,859	\$ (357,880)	\$ 704,979	\$ 704,979	-
Legal Services	58,892	37,000	95,892	91,965	\$ 3,927
Audit Fees	55,000	4,500	59,500	59,500	-
Architectural/Engineering Services	55,802	9,677	65,479	65,479	-
Other Purchased Professional Services	58,179	21,125	79,304	73,821	5,483
Purchased Technical Services	107,287	(80,412)	26,875	26,875	-
Communications/Telephone	110,500	(26,691)	83,809	82,217	1,592
Miscellaneous Purchased Services	120,000	(5,843)	114,157	114,157	-
General Supplies	10,335	(4,137)	6,198	6,100	98
BOE In-House Training/Meeting Supplies	1,097	(646)	451	451	-
Judgments Against the School District	30,000	(29,000)	1,000	1,000	-
Miscellaneous Expenditures	57,644	5,551	63,195	61,066	2,129
BOE Membership Dues and Fees	27,793	(1,130)	26,663	26,663	-
Total Support Services General Administration	<u>1,755,388</u>	<u>(427,886)</u>	<u>1,327,502</u>	<u>1,314,273</u>	<u>13,229</u>
Support Services School Administration					
Salaries of Principals/Asst. Principals	3,570,042	186,986	3,757,028	3,757,028	-
Salaries of Other Professional Staff		299,970	299,970	299,970	-
Salaries of Secretarial and Clerical Assistants	1,175,250	(4,353)	1,170,897	1,164,907	5,990
Other Purchased Services	24,200	(3,073)	21,127	21,127	-
Supplies and Materials	130,063	(46,751)	83,312	82,869	443
Other Objects	34,275	(4,474)	29,801	29,503	298
Total Support Services School Administration	<u>4,933,830</u>	<u>428,305</u>	<u>5,362,135</u>	<u>5,355,404</u>	<u>6,731</u>
Central Services					
Salaries	472,571	69,226	541,797	541,797	-
Purchased Professional Services	34,577	35,498	70,075	70,075	-
Purchased Technical Services	5,322	(532)	4,790	4,790	-
Supplies and Materials	14,748	(7,169)	7,579	7,197	382
Interest on Current Loans	337,500	-	337,500	337,500	-
Miscellaneous Expenditures	3,575	1,783	5,358	5,358	-
Total Central Services	<u>868,293</u>	<u>98,806</u>	<u>967,099</u>	<u>966,717</u>	<u>382</u>
Admin. Info. Technology					
Salaries	548,085	6,983	555,068	552,317	2,751
Purchased Professional Services	7,200	(4,289)	2,911	700	2,211
Purchased Technical Services		92,256	92,256	92,256	-
Other Purchased Services		94,182	94,182	94,182	-
Other Objects	1,350	(441)	909	820	89
Total Admin. Info. Technology	<u>556,635</u>	<u>188,691</u>	<u>745,326</u>	<u>740,275</u>	<u>5,051</u>
Required Maintenance for School Facilities					
Salaries	1,435,502	12,813	1,448,315	1,448,315	-
Cleaning, Repair and Maintenance Services	791,805	(291,897)	499,908	481,867	18,041
General Supplies	160,315	15,500	175,815	174,815	1,000
Total Required Maint. for School Facilities	<u>2,387,622</u>	<u>(263,584)</u>	<u>2,124,038</u>	<u>2,104,997</u>	<u>19,041</u>
Custodial Services					
Salaries	2,901,789	118,238	3,020,027	3,020,027	-
Other Purchased Property Services	46,901	6,767	53,668	52,465	1,203
Insurance	349,088	-	349,088	349,088	-
General Supplies	289,528	74,872	364,400	364,400	-
Energy (Electricity)	720,000	(162,260)	557,740	532,270	25,470
Energy (Natural Gas)	380,000	189,746	569,746	525,718	44,028
Other Objects	26,647	(6,701)	19,946	19,946	-
Total Custodial Services	<u>4,713,953</u>	<u>220,662</u>	<u>4,934,615</u>	<u>4,863,914</u>	<u>70,701</u>
Care and Upkeep of Grounds					
Salaries	144,957	22,534	167,491	167,491	-
Total Care and Upkeep of Grounds	<u>144,957</u>	<u>22,534</u>	<u>167,491</u>	<u>167,491</u>	<u>-</u>
Security					
Salaries	218,880	80,798	299,678	299,678	-
Total Security	<u>218,880</u>	<u>80,798</u>	<u>299,678</u>	<u>299,678</u>	<u>-</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Special Ed.	\$ 460,212	\$ (93,342)	\$ 366,870	\$ 366,870	-
Salaries for Pupil Transportation (Other Than Between and School)	51,097	-	51,097	46,516	\$ 4,581
Cleaning, Repair & Maint. Services	73,267	12,578	85,845	85,831	14
Contracted Services (Between Home and School) Vendors	967,131	216,525	1,183,656	1,177,613	6,043
Contracted Services (Other than Between Home and School) - Vendors	6,230	(5,119)	1,111	1,111	-
Misc. Purchased Services- Transportation	4,598	(4,598)	-	-	-
General Supplies	-	-	-	-	-
Transportation Supplies	1,704	(170)	1,534	1,534	-
Total Student Transportation Services	<u>1,564,239</u>	<u>125,874</u>	<u>1,690,113</u>	<u>1,679,475</u>	<u>10,638</u>
Unallocated Benefits					
Group Insurance	20,000	(1,181)	18,819	18,819	-
Social Security Contribution	1,150,000	149,944	1,299,944	1,246,693	53,251
Other Retirement Contributions - PERS	1,027,611	4,492	1,032,103	1,032,103	-
Other Retirement Contributions - Regular (DCRP)	-	71,757	71,757	62,472	9,285
Retro Payments to Teachers	-	1,225,000	1,225,000	1,225,000	-
Unused Sick Payments/Retired Staff	1,520,810	79,337	1,600,147	1,600,147	-
Worker's Compensation	659,025	-	659,025	659,025	-
Health Benefits	13,525,796	(1,073,557)	12,452,239	12,450,613	1,626
Tuition Reimbursement	40,000	(8,992)	31,008	31,008	-
Total Unallocated Benefits	<u>17,943,242</u>	<u>446,800</u>	<u>18,390,042</u>	<u>18,325,880</u>	<u>64,162</u>
On Behalf TPAF (Non Budgeted)					
NCGI Premium	-	-	-	157,464	(157,464)
Pension Contribution	-	-	-	7,522,421	(7,522,421)
Long Term Disability Contribution	-	-	-	6,256	(6,256)
Post Retirement Medical Contributions	-	-	-	3,483,583	(3,483,583)
Social Security Contribution	-	-	-	2,982,589	(2,982,589)
Total TPAF Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,152,313</u>	<u>(14,152,313)</u>
Total Undistributed Expenditures	<u>43,811,985</u>	<u>1,897,116</u>	<u>45,709,101</u>	<u>59,134,923</u>	<u>(13,425,822)</u>
Transfer of Funds to Charter Schools	5,906,072	1,016,220	6,922,292	6,920,795	1,497
Total Current Expenditures	<u>87,362,460</u>	<u>4,544,721</u>	<u>91,907,181</u>	<u>106,678,299</u>	<u>(14,771,118)</u>
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	50	-	50	-	50
Equipment					
Undistributed Expenditures					
Instruction	-	42,620	42,620	52,620	(10,000)
Total Equipment	<u>-</u>	<u>42,620</u>	<u>42,620</u>	<u>52,620</u>	<u>(10,000)</u>
Facilities Acquisition and Construction Services					
Lease Purchase Agreements-Principal	956,397	(103,530)	852,867	852,867	-
Construction Services	-	803,208	803,208	409,906	393,302
Assessment for Debt Service on SDA Funding	194,876	-	194,876	194,876	-
Total Facilities Acquis. and Const. Services	<u>1,151,273</u>	<u>699,678</u>	<u>1,850,951</u>	<u>1,457,649</u>	<u>393,302</u>
Total Capital Outlay	<u>1,151,323</u>	<u>742,298</u>	<u>1,893,621</u>	<u>1,510,269</u>	<u>383,352</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
SPECIAL SCHOOLS					
Adult Education - Local - Instruction					
Salaries of Teachers	\$ 28,022	\$ (4,300)	\$ 23,722	\$ 22,050	\$ 1,672
Purchased Professional and Technical Services	13,676	4,300	17,976	16,521	1,455
General Supplies	20,000	-	20,000	19,482	518
	<u>61,698</u>	<u>-</u>	<u>61,698</u>	<u>58,053</u>	<u>3,645</u>
Total Adult Education - Local - Instruction					
Total Special Schools	<u>61,698</u>	<u>-</u>	<u>61,698</u>	<u>58,053</u>	<u>3,645</u>
Total Expenditures	<u>88,575,481</u>	<u>5,287,019</u>	<u>93,862,500</u>	<u>108,246,621</u>	<u>(14,384,121)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(193,417)</u>	<u>(1,787,019)</u>	<u>(1,980,436)</u>	<u>(1,149,090)</u>	<u>831,346</u>
Other Financing Sources (Uses)					
Operating Transfers Out-Food Service	(223,767)	(154,029)	(377,796)	(377,796)	-
Operating Transfers In - Capital Projects Fund				90,767	90,767
Capital Lease Proceeds	-	-	-	1,498,227	1,498,227
	<u>(223,767)</u>	<u>(154,029)</u>	<u>(377,796)</u>	<u>1,211,198</u>	<u>1,588,994</u>
Total Other Financing Sources (Uses)					
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	<u>(417,184)</u>	<u>(1,941,048)</u>	<u>(2,358,232)</u>	<u>62,108</u>	<u>2,420,340</u>
Fund Balances, Beginning of Year	<u>4,442,245</u>	<u>-</u>	<u>4,442,245</u>	<u>4,442,245</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,025,061</u>	<u>\$ (1,941,048)</u>	<u>\$ 2,084,013</u>	<u>\$ 4,504,353</u>	<u>\$ 2,420,340</u>
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 592,559	
Maintenance Reserve				1,031,500	
Adult Education Program				55,678	
Committed					
Encumbrances				393,301	
Assigned					
Designated for Subsequent Year's Budget				156,636	
Encumbrances				136,879	
Unassigned				<u>2,137,800</u>	
Fund Balance Per Governmental Funds (Budgetary)				4,504,353	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Not Recognized on GAAP Basis				<u>(4,384,194)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 120,159</u>	

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXHIBIT C-2

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State Sources	\$ 636,070	\$ 87,525	\$ 723,595	\$ 668,922	\$ (54,673)
Private Sources	9,000	119,486	128,486	36,421	(92,065)
Federal Sources	<u>2,883,114</u>	<u>963,089</u>	<u>3,846,203</u>	<u>3,393,334</u>	<u>(452,869)</u>
Total Revenues	<u>3,528,184</u>	<u>1,170,100</u>	<u>4,698,284</u>	<u>4,098,677</u>	<u>(599,607)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,767,297	(244,516)	1,522,781	1,337,116	185,665
Purchased Prof. and Tech. Svcs.		47,510	47,510	25,061	22,449
Other Purchased Services	8,000	(8,000)			
Tuition	1,156,668	34,397	1,191,065	1,179,817	11,248
General Supplies	62,230	288,165	350,395	239,411	110,984
Textbooks	<u>-</u>	<u>6,889</u>	<u>6,889</u>	<u>6,889</u>	<u>-</u>
Total Instruction	<u>2,994,195</u>	<u>124,445</u>	<u>3,118,640</u>	<u>2,788,294</u>	<u>330,346</u>
Support Services					
Salaries of Program Directors	279,142	(214,041)	65,101	67,442	(2,341)
Salaries of Secretarial and Clerical Asst.		52,052	52,052	55,908	(3,856)
Other Salaries		20,449	20,449	20,449	-
Salaries of Parent Involvement	15,000	(1,557)	13,443	7,605	5,838
Salaries of Master Teacher		9,000	9,000	7,108	1,892
Personal Services - Employee Benefits		586,420	586,420	525,261	61,159
Purchased Prof./Educ. Svcs.	211,847	303,232	515,079	434,937	80,142
Contracted Services - Trans. (Field Trips)	8,000	-	8,000		8,000
Travel		4,378	4,378	1,543	2,835
Other Purchased Services		21,400	21,400	21,397	3
Lease/Rentals		80,140	80,140	70,467	9,673
Supplies and Materials	12,000	101,065	113,065	61,476	51,589
Other Objects	<u>-</u>	<u>73,914</u>	<u>73,914</u>	<u>25,587</u>	<u>48,327</u>
Total Support Services	<u>525,989</u>	<u>1,036,452</u>	<u>1,562,441</u>	<u>1,299,180</u>	<u>263,261</u>
Facilities Acquisition and Const. Serv.					
Instructional Equipment	<u>8,000</u>	<u>9,203</u>	<u>17,203</u>	<u>11,203</u>	<u>6,000</u>
Total Facilities Acq. and Const. Serv.	<u>8,000</u>	<u>9,203</u>	<u>17,203</u>	<u>11,203</u>	<u>6,000</u>
Total Expenditures	<u>3,528,184</u>	<u>1,170,100</u>	<u>4,698,284</u>	<u>4,098,677</u>	<u>599,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

	General Fund		Special Revenue Fund
Sources/Inflows of Resources			
Actual Revenues (budgetary basis)	(C-1) \$ 107,097,531	(C-2)	\$ 4,098,677
Difference - Budget to GAAP			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
State Aid payments recognized for GAAP statements not recognized for budgetary purposes.	2,920,797		34,746
State Aid payments recognized for budgetary purposes not recognized for GAAP statements.	(4,384,194)		
Encumbrances are reported in the year the order is placed for budgetary purposes, but in the year the goods are received or the services are rendered for GAAP financial reporting purposes			
Less: Encumbrances, June 30, 2019	_____ -		_____ (33,348)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>105,634,134</u>		\$ <u>4,100,075</u>
Uses/Outflows of Resources			
Actual Expenditures (budgetary basis)	(C-1) \$ 108,246,621	(C-2)	\$ 4,098,677
Encumbrances are reported in the year the order is placed for budgetary purposes, but in the year the goods are received or the services are rendered for GAAP financial reporting purposes			
Less: Encumbrances, June 30, 2019	_____ -		_____ (33,348)
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>108,246,621</u>	(B-2)	\$ <u>4,065,329</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Six Fiscal Years ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.10347%	0.10715%	0.10943%	0.01085%	0.10900%	0.09978%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 20,373,317</u>	<u>\$ 24,941,945</u>	<u>\$ 32,410,578</u>	<u>\$ 24,354,535</u>	<u>\$ 20,406,935</u>	<u>\$ 19,070,856</u>
District's Covered-Employee Payroll	<u>\$ 6,980,043</u>	<u>\$ 7,231,880</u>	<u>\$ 7,285,913</u>	<u>\$ 7,287,542</u>	<u>\$ 7,411,246</u>	<u>\$ 7,268,063</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	291.88%	344.89%	444.84%	334.19%	275.35%	262.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,029,222	\$ 992,596	\$ 972,177	\$ 932,750	\$ 898,543	\$ 751,858
Contributions in Relation to the Contractually Required Contributions	<u>1,029,222</u>	<u>992,596</u>	<u>972,177</u>	<u>932,750</u>	<u>898,543</u>	<u>751,858</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 7,218,763</u>	<u>\$ 6,980,043</u>	<u>\$ 7,231,880</u>	<u>\$ 7,285,912</u>	<u>\$ 7,287,542</u>	<u>\$ 7,411,246</u>
Contributions as a Percentage of Covered-Employee Payroll	14.26%	14.22%	13.44%	12.80%	12.33%	10.14%

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

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

**TEACHERS' PENSION AND ANNUITY FUND
Last Six Fiscal Years ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the District	<u>239,689,170</u>	<u>261,292,128</u>	<u>313,542,609</u>	<u>245,563,648</u>	<u>202,685,459</u>	<u>196,772,632</u>
Total	<u>\$ 239,689,170</u>	<u>\$ 261,292,128</u>	<u>\$ 313,542,609</u>	<u>\$ 245,563,648</u>	<u>\$ 202,685,459</u>	<u>\$ 196,772,632</u>
District's Covered-Employee Payroll	<u>\$ 39,552,080</u>	<u>\$ 40,435,519</u>	<u>\$ 39,310,251</u>	<u>\$ 39,284,711</u>	<u>\$ 39,625,977</u>	<u>\$ 38,007,372</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0	0	0	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5d.

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY**

Postemployment Health Benefit Plan

Last Three Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service Cost	\$ 6,798,969	\$ 8,218,679	\$ 6,129,703
Interest on Total OPEB Liability	6,966,619	6,034,516	6,483,990
Differences Between Expected and Actual Experience	(19,642,865)		
Changes of Assumptions	(18,511,177)	(25,776,003)	30,618,351
Gross Benefit Payments	(4,313,383)	(4,397,634)	(4,349,452)
Member Contributions	<u>149,077</u>	<u>161,932</u>	<u>164,527</u>
Net Change in Total OPEB Liability	(28,552,760)	(15,758,510)	39,047,119
Total OPEB Liability - Beginning of Year	<u>189,863,171</u>	<u>205,621,681</u>	<u>166,574,563</u>
Total OPEB Liability - End of Year	<u>\$ 161,310,411</u>	<u>\$ 189,863,171</u>	<u>\$ 205,621,682</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>161,310,411</u>	<u>189,863,171</u>	<u>205,621,682</u>
Total OPEB Liability - Ending	<u>\$ 161,310,411</u>	<u>\$ 189,863,171</u>	<u>\$ 205,621,682</u>
District's Covered-Employee Payroll	<u>\$ 46,532,123</u>	<u>\$ 42,211,970</u>	<u>\$ 46,596,164</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	<u>0%</u>	<u>0%</u>	<u>0%</u>

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

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5E.

SPECIAL REVENUE FUND

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	No Child Left Behind (NCLB)					IDEA			Sub-Total Page 2	Grand Total
	Title I	Title II-A	Title III	Title III Immigrant	Impact Aid	Carl D. Perkins	Basic	Preschool		
REVENUES										
Intergovernmental										
State									\$ 668,922	\$ 668,922
Local									36,421	36,421
Federal	\$ 1,562,139	\$ 245,175	\$ 99,538	\$ 33,673	\$ 42,000	\$ 60,606	\$ 1,319,194	\$ 31,009	-	3,393,334
Total Revenues	1,562,139	245,175	99,538	33,673	42,000	60,606	1,319,194	31,009	705,343	4,098,677
EXPENDITURES										
Instruction										
Salaries of Teachers	1,005,723		31,508						299,885	1,337,116
Purchased Prof. and Technical Services	2,475					2,777			19,809	25,061
Tuition							1,150,227	29,590		1,179,817
General Supplies	47,352		41,192	5,643	42,000	47,570	39,509	1,419	14,726	239,411
Textbooks	-	-	-	-	-	-	-	-	6,889	6,889
Total Instruction	1,055,550	-	72,700	5,643	42,000	50,347	1,189,736	31,009	341,309	2,788,294
Support Services										
Salaries of Supervisors/Program Directors									67,442	67,442
Salaries of Secretarial & Clerical Asst.									55,908	55,908
Other Salaries									20,449	20,449
Salaries of Parent Involvement									7,605	7,605
Salaries of Master Teacher	4,076		3,032							7,108
Personal Svcs-Employee Benefits	497,871								27,390	525,261
Purchased Prof. and Technical Services	3,060	245,175	18,114				58,991		109,597	434,937
Travel			1,453						90	1,543
Other Purchased Services						3,700			17,697	21,397
Leases/Rentals							70,467			70,467
Supplies and Materials	1,432		4,239	28,030					27,775	61,476
Other Objects	150	-	-	-	-	-	-	-	25,437	25,587
Total Support Services	506,589	245,175	26,838	28,030	-	3,700	129,458	-	359,390	1,299,180
Facilities Acq. and Construction										
Instructional Equip.						6,559			4,644	11,203
Non Instructional Equip.										
Total Facilities Acq. & Constr.						6,559			4,644	11,203
Total Expenditures	1,562,139	245,175	99,538	33,673	42,000	60,606	1,319,194	31,009	705,343	4,098,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Donations	SYBSPG	Nonpublic Nursing Services	Nonpublic Textbooks	Nonpublic Technology	Nonpublic Security	Chapter 192/193 Services			Preschool Education Aid	Sub-Total to Page 1
							Compensatory Education	Supplemental Instruction	Exam & Class		
REVENUES											
Intergovernmental											
State		\$ 283,777	\$ 14,065	\$ 6,889	\$ 4,644	\$ 21,750	\$ 9,306	\$ 2,617	\$ 7,886	\$ 317,988	\$ 668,922
Local	\$ 36,421	-	-	-	-	-	-	-	-	-	36,421
Federal	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>36,421</u>	<u>283,777</u>	<u>14,065</u>	<u>6,889</u>	<u>4,644</u>	<u>21,750</u>	<u>9,306</u>	<u>2,617</u>	<u>7,886</u>	<u>317,988</u>	<u>705,343</u>
EXPENDITURES											
Instruction											
Salaries of Teachers										299,885	299,885
Purchased Prof. and Technical Services							9,306	2,617	7,886		19,809
General Supplies	4,261									10,465	14,726
Textbooks				6,889							6,889
Other Objects	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>4,261</u>	<u>-</u>	<u>-</u>	<u>6,889</u>	<u>-</u>	<u>-</u>	<u>9,306</u>	<u>2,617</u>	<u>7,886</u>	<u>310,350</u>	<u>341,309</u>
Support Services											
Salaries of Supervisors/Program Directors		67,442									67,442
Salaries of Secretarial & Clerical Asst.		55,908									55,908
Other Salaries	6,384		14,065								20,449
Salaries of Community Parent Involvement										7,605	7,605
Personal Svcs-Employee Benefits		27,390									27,390
Purchased Prof./Educ. Svcs.		109,597									109,597
Travel		90									90
Other Purchased Services		17,697									17,697
Supplies and Materials	839	5,153				21,750				33	27,775
Other Objects	24,937	500									25,437
Total Support Services	<u>32,160</u>	<u>283,777</u>	<u>14,065</u>	<u>-</u>	<u>-</u>	<u>21,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,638</u>	<u>359,390</u>
Facilities Acq. and Construction											
Instructional Equip.					4,644						4,644
Non Instructional Equip											
Total Facilities Acq. & Constr.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,644</u>
Total Expenditures	<u>36,421</u>	<u>283,777</u>	<u>14,065</u>	<u>6,889</u>	<u>4,644</u>	<u>21,750</u>	<u>9,306</u>	<u>2,617</u>	<u>7,886</u>	<u>317,988</u>	<u>705,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	\$ 294,928	\$ 4,957	\$ 299,885	\$ 299,885	
Other Purchased Services	8,000	(8,000)			
General Supplies	8,000	5,100	13,100	10,465	\$ 2,635
Total Instruction	<u>310,928</u>	<u>2,057</u>	<u>312,985</u>	<u>310,350</u>	<u>2,635</u>
Support Services					
Salaries of Community Parent Involvement	15,000	(1,557)	13,443	7,605	5,838
Other Purchased Professional -Ed. Services	12,000	-	12,000		12,000
Contracted Services - Trans. (Field Trips)	8,000		8,000		8,000
Supplies and Materials	3,000	1,500	4,500	33	4,467
Total Support Services	<u>38,000</u>	<u>(57)</u>	<u>37,943</u>	<u>7,638</u>	<u>30,305</u>
Facilities Acquisition and Construction					
Instructional Equipment	8,000	(2,000)	6,000	-	6,000
Total Facilities Acquisition and Construction	<u>8,000</u>	<u>(2,000)</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Expenditures	<u>\$ 356,928</u>	<u>\$ -</u>	<u>\$ 356,928</u>	<u>\$ 317,988</u>	<u>\$ 38,940</u>

Calculation of Budget Carryover

Total Revised 2018-2019 Preschool Education Aid Allocation	\$ 356,928
Add:	
Actual Preschool Education Carryover (June 30, 2018)	-
Actual Early Childhood Program Aid Carryover	<u>236,642</u>
Total Preschool Education Aid Funds Available for 2018-2019 Budget	593,570
Less: 2018-2019 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>356,928</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2019	236,642
Add: June 30, 2019 Unexpended Preschool Education Aid	<u>38,940</u>
2018-2019 Carryover - Preschool Education Aid /Preschool Programs	<u>\$ 275,582</u>
2018-2019 Preschool Education Aid Carryover Budgeted in 2019-2020	<u>\$ 236,642</u>

CAPITAL PROJECTS FUND

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Amount Authorized</u>	<u>Adjustments</u>	<u>Modified Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2019</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Aircraft Noise Abatement - Kearny High School	\$ 44,039,788	\$ 15,184,866	\$ 59,224,654	\$ 58,837,028		\$ 387,626
Kearny High School - Facade Project	6,083,708		6,083,708	5,970,247		113,461
Alterations to Franklin Elementary School	<u>636,750</u>	<u>(585,056)</u>	<u>51,694</u>	<u>47,860</u>	<u>-</u>	<u>3,834</u>
	<u>\$ 50,760,246</u>	<u>\$ 14,599,810</u>	<u>\$ 65,360,056</u>	<u>\$ 64,855,135</u>	<u>\$ -</u>	<u>\$ 504,921</u>
Unexpended Project Authorizations						\$ 504,921
Add: Reserve for Payment of Debt Service						<u>40,837</u>
Fund Balance (Budgetary Basis)						<u>\$ 545,758</u>

Analysis of Restricted Fund Balance:

Reserve for Debt Service	\$ 40,837
Reserve for Capital Projects	<u>504,921</u>
Fund Balance, Budgetary Basis	<u>\$ 545,758</u>

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Revenues and Other Financing Sources

Interest on Deposits	\$ <u>90,767</u>
Total Revenues	<u>90,767</u>

Expenditures and Other Financing Uses

Transfer to General Fund	<u>90,767</u>
Total Expenditures and Other Financing Uses	<u>90,767</u>

Excess (Deficiency) of Revenue Over (Under) Expenditures
Other Financing Sources (Uses)

-

Fund Balance, July 1, 2018	<u>545,758</u>
Fund Balance, June 30, 2019	<u>\$ <u>545,758</u></u>

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	\$ 21,145,025		\$ 21,145,025	\$ 21,145,025
Local Sources - Port Authority of NY/NJ	5,286,256		5,286,256	5,286,256
State Sources- SCC Grant	17,608,507		17,608,507	17,608,507
Capital Reserve	11,064,866		11,064,866	11,064,866
Lease Purchase Proceeds	4,120,000	-	4,120,000	4,120,000
	<u>59,224,654</u>	<u>-</u>	<u>59,224,654</u>	<u>59,224,654</u>
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	50,111,540		50,111,540	50,474,654
Purchased Professional and Technical Services	8,725,488	-	8,725,488	8,750,000
	<u>58,837,028</u>	<u>-</u>	<u>58,837,028</u>	<u>59,224,654</u>
Excess of Revenues Over Expenditures	<u>\$ 387,626</u>	<u>\$ -</u>	<u>\$ 387,626</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
FAA/Port Authority	EWR 84-02 & 99-04
SDA	2410-050-04-3000
Grant Date	May 4, 2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 44,039,788
Additional Authorized Cost	\$ 15,184,866
Revised Authorized Cost	\$ 59,224,654
Percentage Increase Over Original Authorized Cost	34.48%
Percentage Completion	100.00%
Original Target Completion Date	October 31, 2013
Revised Target Completion Date	December 31, 2018

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - FAÇADE PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Additional Project Information:

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

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	April 30, 2012
Revised Target Completion Date	June 30, 2014

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Additional Project Information:

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

Percentage Decrease Over Original Authorized Cost	-91.88%	(A)
Percentage Completion	100.00%	
Original Target Completion Date	September 30, 2011	
Revised Target Completion Date	August 31, 2014	

(A) Scope of project was reduced

ENTERPRISE FUND

EXHIBIT G-1

**KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2019**

	<u>Student</u>	<u>Agency</u>	
	<u>Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 344,619	\$ 125,831	\$ 470,450
Due from Other Funds	<u>-</u>	<u>943</u>	<u>943</u>
Total Assets	<u>\$ 344,619</u>	<u>\$ 126,774</u>	<u>\$ 471,393</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 126,774	\$ 126,774
Due to Other Funds			-
Due to Student Groups	<u>\$ 344,619</u>	<u>-</u>	<u>344,619</u>
Total Liabilities	<u>\$ 344,619</u>	<u>\$ 126,774</u>	<u>\$ 471,393</u>

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>School</u>	<u>Balance</u> <u>July 1, 2018</u> (Restated)	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2019</u>
ELEMENTARY SCHOOLS				
Schuyler School	\$ 17,058	\$ 29,601	\$ 24,753	\$ 21,906
Franklin School	9,360	54,291	57,690	5,961
Garfield School	595	23,242	18,121	5,716
Lincoln School	4,181	4,788	3,141	5,828
Lincoln Student Council	3,086	4,597	4,791	2,892
Roosevelt School	8,367	30,485	27,913	10,939
Washington School	1,561	17,806	18,061	1,306
HIGH SCHOOL	243,039	385,224	338,334	289,929
ATHLETIC ACCOUNT	<u>1,439</u>	<u>60,392</u>	<u>61,689</u>	<u>142</u>
Total	<u>\$ 288,686</u>	<u>\$ 610,426</u>	<u>\$ 554,493</u>	<u>\$ 344,619</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance,</u> <u>July 1,</u> <u>2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30,</u> <u>2019</u>
ASSETS				
Cash and Cash Equivalents	<u>\$ 674,750</u>	<u>\$ 66,130,892</u>	<u>\$ 66,679,811</u>	<u>\$ 125,831</u>
Total Assets	<u>\$ 674,750</u>	<u>\$ 66,130,892</u>	<u>\$ 66,679,811</u>	<u>\$ 125,831</u>
LIABILITIES				
Due to Other Funds	\$ 1,121		\$ 2,064	\$ (943)
Payroll Deductions and Withholdings	673,629	\$ 32,344,201	32,891,056	126,774
Accrued Salaries and Wages	<u>-</u>	<u>33,788,755</u>	<u>33,788,755</u>	<u>-</u>
Total Liabilities	<u>\$ 674,750</u>	<u>\$ 66,132,956</u>	<u>\$ 66,681,875</u>	<u>\$ 125,831</u>

LONG-TERM DEBT

KEARNY BOARD OF EDUCATION
 LONG-TERM DEBT GROUP
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	4/23/15	\$ 6,740,000	7/15/2019	1,135,000	4.00%				
			7/15/2020	1,140,000	4.00%				
			7/15/2021	1,140,000	4.00%				
			7/15/2022	1,140,000	4.00%				
			7/15/2023	205,000	4.00%				
			7/15/2024	210,000	4.00%				
			7/15/2025	215,000	4.00%	\$ 6,320,000	-	1,135,000	\$ 5,185,000
						\$ 6,320,000	\$ -	\$ 1,135,000	\$ 5,185,000

**KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Year</u>	<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2018 (Restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2019</u>
2014	Acquisition of Computers	\$ 394,437	\$ 94,592		\$ 94,592	
2015	Acquisition of Equipment	4,120,000	2,482,688		815,353	\$ 1,667,335
2017	Acquisition of Equipment	288,859	96,190		96,190	-
2018	Acquisition of Computers	283,464	183,742		89,348	94,394
2018	Acquisition of Equipment	749,430	660,049	-	660,049	-
2019	Acquisition of Computers	710,085		710,085	249,808	460,277
2019	Acquisition of Equipment	788,142	-	788,142	47,324	740,818
			<u>\$ 3,517,261</u>	<u>\$ 1,498,227</u>	<u>\$ 2,052,664</u>	<u>\$ 2,962,824</u>

**KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Property Tax Levy	\$ 984,504		\$ 984,504	\$ 984,504	
State Sources:					
Debt Service Aid	380,596	-	380,596	380,596	-
Total Revenues	<u>1,365,100</u>	<u>-</u>	<u>1,365,100</u>	<u>1,365,100</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	1,135,000		1,135,000	1,135,000	
Interest	230,100	-	230,100	230,100	-
Total Expenditures	<u>1,365,100</u>	<u>-</u>	<u>1,365,100</u>	<u>1,365,100</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 41,531,599	\$ 41,472,141	\$ 45,417,929	\$ 51,589,542	\$ 55,485,780	\$ 55,491,651	\$ 57,535,963	\$ 72,979,220	\$ 51,445,043	\$ 53,069,476
Restricted	1,809,371	4,672,748	5,732,390	5,735,972	8,219,684	8,845,240	11,257,150	2,394,838	2,977,180	1,138,318
Unrestricted	<u>(12,222,825)</u>	<u>(13,157,518)</u>	<u>(12,149,242)</u>	<u>(9,139,337)</u>	<u>(12,134,343)</u>	<u>(31,918,631)</u>	<u>(36,900,137)</u>	<u>(26,682,224)</u>	<u>(39,168,319)</u>	<u>(39,356,196)</u>
Total Governmental Activities Net Position	<u>\$ 31,118,145</u>	<u>\$ 32,987,371</u>	<u>\$ 39,001,077</u>	<u>\$ 48,186,177</u>	<u>\$ 51,571,121</u>	<u>\$ 32,418,260</u>	<u>\$ 31,892,976</u>	<u>\$ 48,691,834</u>	<u>\$ 15,253,904</u>	<u>\$ 14,851,598</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 132,614	\$ 138,942	\$ 124,308	\$ 110,288	\$ 97,047	\$ 122,355	\$ 107,215	\$ 98,898	\$ 308,196	\$ 304,965
Unrestricted	<u>199,518</u>	<u>263,540</u>	<u>254,822</u>	<u>320,381</u>	<u>372,232</u>	<u>422,604</u>	<u>504,341</u>	<u>512,185</u>	<u>514,643</u>	<u>610,829</u>
Total Business-Type Activities Net Position	<u>\$ 332,132</u>	<u>\$ 402,482</u>	<u>\$ 379,130</u>	<u>\$ 430,669</u>	<u>\$ 469,279</u>	<u>\$ 544,959</u>	<u>\$ 611,556</u>	<u>\$ 611,083</u>	<u>\$ 822,839</u>	<u>\$ 915,794</u>
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 41,664,213	\$ 41,611,083	\$ 45,542,237	\$ 51,699,830	\$ 55,582,827	\$ 55,614,006	\$ 57,643,178	\$ 73,078,118	\$ 51,753,239	\$ 53,374,441
Restricted	1,809,371	4,672,748	5,732,390	5,735,972	8,219,684	8,845,240	11,257,150	2,394,838	2,977,180	1,138,318
Unrestricted	<u>(12,023,307)</u>	<u>(12,893,978)</u>	<u>(11,894,420)</u>	<u>(8,818,956)</u>	<u>(11,762,111)</u>	<u>(31,496,027)</u>	<u>(36,395,796)</u>	<u>(26,170,039)</u>	<u>(38,653,676)</u>	<u>(38,745,367)</u>
Total District Net Position	<u>\$ 31,450,277</u>	<u>\$ 33,389,853</u>	<u>\$ 39,380,207</u>	<u>\$ 48,616,846</u>	<u>\$ 52,040,400</u>	<u>\$ 32,963,219</u>	<u>\$ 32,504,532</u>	<u>\$ 49,302,917</u>	<u>\$ 16,076,743</u>	<u>\$ 15,767,392</u>

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 41,381,868	\$ 41,126,178	\$ 42,713,090	\$ 43,266,636	\$ 45,504,197	\$ 50,637,282	\$ 55,352,833	\$ 60,448,695	\$ 56,053,842	\$ 62,398,755
Special Education	10,695,914	11,313,129	10,843,661	11,478,294	11,402,060	13,900,553	15,560,078	16,652,103	9,920,717	14,940,133
Other Instruction	4,107,288	3,252,330	3,294,184	2,845,253	2,740,285	2,920,309	3,357,362	3,890,809	2,778,454	6,116,270
School Sponsored Activities and Athletics	1,300,510	1,281,841	1,250,104	1,261,789	1,310,483	1,376,895	1,509,284	1,586,879	3,066,029	1,501,429
Support Services:										
Tuition									4,170,786	
Student and Instruction Related Services	7,692,297	7,113,169	7,780,424	7,926,025	8,050,400	8,764,376	8,959,592	9,191,340	8,991,837	9,697,687
General Administration	2,271,974	2,423,076	2,779,422	2,439,406	2,946,412	2,832,130	2,697,713	3,644,098	2,224,329	1,755,319
School Administrative Services	4,632,528	6,238,956	6,316,539	6,376,930	6,819,361	7,530,457	8,526,918	9,453,530	9,016,478	8,986,658
Central Administrative Services	1,195,456	1,208,264	1,631,181	1,657,053	1,672,507	2,021,459	2,189,236	2,424,248	1,285,789	2,454,507
Administration of Information Technology									953,769	
Plant Operations and Maintenance	8,804,501	8,712,127	8,569,081	9,007,440	8,984,044	9,643,413	10,038,580	10,068,434	10,327,879	10,252,309
Security									408,378	
Pupil Transportation	1,404,217	1,315,732	1,373,763	1,480,516	1,500,332	1,698,164	1,790,536	1,738,152	1,740,244	1,927,028
Special Schools									75,827	
Charter School									4,414,390	
Interest on Long-Term Debt	560,215	702,608	704,128	628,207	654,180	681,281	545,646	503,873	275,688	459,504
Total Governmental Activities Expenses	84,046,768	84,687,410	87,255,577	88,367,549	91,584,261	102,006,319	110,527,778	119,602,161	115,704,436	120,489,599
Business-Type Activities:										
Food Service	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004	2,239,874	2,052,524	2,025,965	2,324,402
Total Business-Type Activities Expense	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004	2,239,874	2,052,524	2,025,965	2,324,402
Total District Expenses	\$ 86,164,636	\$ 86,475,825	\$ 89,295,249	\$ 90,455,037	\$ 93,657,589	\$ 104,150,323	\$ 112,767,652	\$ 121,654,685	\$ 117,730,401	\$ 122,814,001
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition							\$ 10,305	\$ 5,884		\$ 136,399
Other Instruction/Special Schools	\$ 142,122	\$ 60,439	\$ 65,897	\$ 65,134	\$ 59,563	\$ 50,462	65,058	48,770		59,855
Operating Grants and Contributions	19,210,879	14,474,765	15,540,976	16,080,166	15,152,252	25,265,538	30,490,718	38,809,517	\$ 27,589,426	35,350,515
Capital Grants and Contributions	2,558,285	1,227,985	5,925,681	8,239,865	5,734,925	2,034,553	2,695,140	18,130,074		
Total Governmental Activities Program Revenues	21,911,286	15,763,189	21,532,554	24,385,165	20,946,740	27,350,553	33,250,916	56,988,361	27,589,426	35,546,769
Business-Type Activities:										
Charges for Services										
Food Service	416,267	461,515	494,235	468,029	482,377	448,935	485,056	462,487	469,939	584,292
Operating Grants and Contributions	1,071,208	1,093,172	1,215,030	1,259,394	1,316,125	1,262,487	1,311,989	1,266,350	1,223,529	1,455,269
Total Business Type Activities Program Revenues	1,487,475	1,554,687	1,709,265	1,727,423	1,798,502	1,711,422	1,797,045	1,728,837	1,693,468	2,039,561
Total District Program Revenues	\$ 23,398,761	\$ 17,317,876	\$ 23,241,819	\$ 26,112,588	\$ 22,745,242	\$ 29,061,975	\$ 35,047,961	\$ 58,717,198	\$ 29,282,894	\$ 37,586,330
Net (Expense)/Revenue										
Governmental Activities	\$ (62,135,482)	\$ (68,924,221)	\$ (65,723,023)	\$ (63,982,384)	\$ (70,637,521)	\$ (74,655,766)	\$ (77,276,862)	\$ (62,613,800)	\$ (88,115,010)	\$ (84,942,830)
Business-Type Activities	(630,393)	(233,728)	(330,407)	(360,065)	(274,826)	(432,582)	(442,829)	(323,687)	(332,497)	(284,841)
Total District-Wide Net Expense	\$ (62,765,875)	\$ (69,157,949)	\$ (66,053,430)	\$ (64,342,449)	\$ (70,912,347)	\$ (75,088,348)	\$ (77,719,691)	\$ (62,937,487)	\$ (88,447,507)	\$ (85,227,671)

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 43,537,336	\$ 45,278,829	\$ 45,278,829	\$ 45,595,029	\$ 45,759,751	\$ 46,217,348	\$ 47,944,682	\$ 50,681,091	\$ 51,694,717	\$ 52,728,607
Property Taxes, Debt Service	859,576	1,198,201	248,902	740,251	1,129,457	1,119,817	1,070,232	1,048,757	1,011,767	984,504
Federal and State Aid - Unrestricted	17,788,033	23,666,188	24,870,776	26,004,915	26,552,231	26,699,788	26,701,899	26,862,187	34,141,871	30,254,045
State Aid- Restricted for Debt Service	398,351	482,078	469,498	456,918	444,338	439,684	425,956	402,706	393,921	380,596
Donation of Capital Assets				9,000	-	21,500				5,000
Lease Obligations Paid And/Or Assumed by Vendor										575,525
Loss on Disposition of Assets			(6,825)							
Investment Earnings	18,970	86,534	70,842	26,671	22,752	25,289	26,871	36,314		255,407
Miscellaneous Income	1,358,379	385,695	1,111,762	746,304	427,372	558,597	1,081,059	698,933	1,094,867	877,041
Transfers	(731,259)	(304,078)	(307,055)	(411,604)	(313,436)	(508,262)	(509,426)	(323,214)	369,584	(377,796)
Adjustment to Capital Assets									(34,029,645)	
Total Governmental Activities	63,229,386	70,793,447	71,736,729	73,167,484	74,022,465	74,573,761	76,741,273	79,406,774	54,677,082	85,682,929
Business-Type Activities:										
Transfers	731,259	304,078	307,055	411,604	313,436	508,262	509,426	323,214	337,534	377,796
Adjustment to Capital Assets									206,720	
Total Business-Type Activities	731,259	304,078	307,055	411,604	313,436	508,262	509,426	323,214	544,254	377,796
Total District-Wide	\$ 63,960,645	\$ 71,097,525	\$ 72,043,784	\$ 73,579,088	\$ 74,335,901	\$ 75,082,023	\$ 77,250,699	\$ 79,729,988	\$ 55,221,336	\$ 86,060,725
Change in Net Position										
Governmental Activities	\$ 1,093,904	\$ 1,869,226	\$ 6,013,706	\$ 9,185,100	\$ 3,384,944	\$ (82,005)	\$ (535,589)	\$ 16,792,974	\$ (33,437,928)	\$ 740,099
Business-Type Activities	100,866	70,350	(23,352)	51,539	38,610	75,680	66,597	(473)	211,757	92,955
Total District	\$ 1,194,770	\$ 1,939,576	\$ 5,990,354	\$ 9,236,639	\$ 3,423,554	\$ (6,325)	\$ (468,992)	\$ 16,792,501	\$ (33,226,171)	\$ 833,054

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 7,355,662									
Unreserved	(1,404,832)									
Nonspendable					\$ 222,232	\$ 111,116				
Restricted		\$ 4,758,608	\$ 8,034,102	\$ 8,691,054	9,856,929	9,467,872	\$ 9,202,878	\$ 2,924,017	\$ 738,840	\$ 1,679,737
Committed		541,544	131,791	180,361	529,245	423,991	309,878	764,842	1,441,048	393,301
Assigned		2,066,600	1,223,556	2,426,848	1,702,673	815,291	1,667,784	656,950	398,080	293,515
Unassigned	-	(1,293,550)	(1,470,132)	(1,684,780)	(1,709,765)	(1,652,334)	(1,647,226)	(1,476,171)	(1,056,520)	(2,246,394)
Total General Fund	<u>\$ 5,950,830</u>	<u>\$ 6,073,202</u>	<u>\$ 7,919,317</u>	<u>\$ 9,613,483</u>	<u>\$ 10,601,314</u>	<u>\$ 9,165,936</u>	<u>\$ 9,533,314</u>	<u>\$ 2,869,638</u>	<u>\$ 1,521,448</u>	<u>\$ 120,159</u>
All Other Governmental Funds										
Reserved	\$ 7,104,783									
Unreserved	(1,349,043)								\$ (34,744)	
Restricted		\$ 4,183,257	\$ 2,007,465	\$ 1,550,311	\$ 1,044,460	\$ 499,958	\$ 2,648,799	\$ 8,314,841	479,204	\$ 545,759
Total All Other Governmental Funds	<u>\$ 5,755,740</u>	<u>\$ 4,183,257</u>	<u>\$ 2,007,465</u>	<u>\$ 1,550,311</u>	<u>\$ 1,044,460</u>	<u>\$ 499,958</u>	<u>\$ 2,648,799</u>	<u>\$ 8,314,841</u>	<u>\$ 444,460</u>	<u>\$ 545,759</u>

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

KEARNY BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Unaudited)

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property Tax Levy	\$ 44,396,912	\$ 46,477,030	\$ 45,527,731	\$ 46,335,280	\$ 46,889,208	\$ 47,337,165	\$ 49,014,914	\$ 51,729,848	\$ 52,706,484	\$ 53,713,111
Miscellaneous	1,825,583	555,657	1,865,664	1,836,842	1,154,656	884,872	1,533,890	2,977,437	1,488,788	1,298,569
State Sources	29,710,039	35,396,441	39,136,676	42,912,761	41,732,329	41,184,480	43,404,790	50,709,284	47,152,938	52,689,923
Federal Sources	9,939,397	4,431,586	7,053,092	6,870,370	5,506,448	4,198,681	4,755,582	12,108,340	3,058,858	3,555,027
Total Revenues	85,871,931	86,860,714	93,583,163	97,955,253	95,282,641	93,605,198	98,709,176	117,524,909	104,407,068	111,256,630
Expenditures										
Instruction										
Regular Instruction	39,656,866	38,493,481	39,842,839	40,812,892	41,780,251	42,565,681	43,909,681	45,962,757	31,321,085	55,678,256
Special Education Instruction	10,789,990	11,350,615	10,942,923	11,634,469	11,342,082	13,089,595	14,103,142	14,194,658	5,056,982	14,004,889
Other Instruction	4,175,519	3,274,259	3,353,977	2,914,201	2,717,321	2,618,113	2,843,504	3,028,862	3,066,029	5,697,044
School Sponsored Activities and Athletics	1,315,147	1,287,414	1,265,183	1,282,607	1,303,110	1,276,764	1,339,932	1,318,343	280,611	1,399,426
Support Services:										
Tuition									4,170,786	
Student and Inst. Related Services	7,783,452	7,132,255	7,877,266	8,060,790	7,975,682	8,107,689	7,904,892	7,507,417	6,084,367	9,060,959
General Administration	2,287,525	2,420,433	2,792,677	2,465,123	2,912,794	2,609,139	2,542,639	3,341,535	1,532,410	1,694,724
School Administrative Services	4,709,899	6,278,848	6,430,530	6,532,163	6,758,836	6,875,942	7,378,796	7,477,505	4,813,094	8,304,361
Business/Central Services	1,213,368	1,215,647	1,657,294	1,693,280	1,659,558	1,914,327	1,963,755	2,016,857	1,464,046	2,321,463
Plant Operations and Maintenance	8,901,577	8,744,355	8,663,650	9,151,095	8,921,168	9,556,186	9,576,584	8,949,747	7,337,920	10,035,591
Pupil Transportation	1,393,794	1,299,289	1,358,119	1,471,338	1,473,340	1,668,320	1,719,521	1,605,457	1,435,221	1,896,007
Employee Benefits									27,434,260	
Transfer to Charter School									4,414,390	
Special Schools									54,176	
Capital Outlay	6,648,971	4,719,037	7,690,441	8,551,056	6,268,849	2,936,632	4,725,970	20,380,694	14,124,157	454,799
Debt Service:										
Principal	886,394	1,075,000	1,080,000	1,090,000	1,095,000	1,189,608	1,271,068	2,143,725	1,130,000	2,612,139
Interest and Other Charges	642,084	716,114	650,886	647,623	673,671	668,820	524,047	560,631	275,688	517,392
Cost of Issuance						108,484				
Total Expenditures	90,404,586	88,006,747	93,605,785	96,306,637	94,881,662	95,185,300	99,803,531	118,488,188	113,995,222	113,677,050
Excess (Deficiency) of Revenues over (under) Expenditures	(4,532,655)	(1,146,033)	(22,622)	1,648,616	400,979	(1,580,102)	(1,094,355)	(963,279)	(9,588,154)	(2,420,420)
Other Financing Sources (Uses)										
Premiums on Bonds/Notes						706,406				
Leases Purchase Proceeds					394,437		4,120,000	288,859	707,117	1,498,227
Bond/Refunding Bond Proceeds						6,740,000				
Payments to Escrow Agents						(7,337,922)				
Cancellations										
Transfers In	2,742,349	343,504	1,445,496	916,198	583,738	504,834	67	8,706,717		90,767
Transfers Out	(3,473,608)	(647,582)	(1,752,551)	(1,327,802)	(897,174)	(1,013,096)	(509,493)	(9,029,931)	(337,534)	(468,563)
Total Other Financing Sources (Uses)	(731,259)	(304,078)	(307,055)	(411,604)	81,001	(399,778)	3,610,574	(34,355)	369,583	1,120,431
Net Change in Fund Balances	\$ (5,263,914)	\$ (1,450,111)	\$ (329,677)	\$ 1,237,012	\$ 481,980	\$ (1,979,880)	\$ 2,516,219	\$ (997,634)	\$ (9,218,571)	\$ (1,299,989)
Debt Service as a Percentage of Noncapital Expenditures	1.82%	2.15%	2.01%	1.98%	2.00%	2.01%	1.89%	2.76%	1.41%	2.76%

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

Fiscal Year Ended June 30,	Interest Earned	Rentals	Adult School	Solar Energy Sales	Miscellaneous	Total
2010	\$ 18,479	\$ 50,825	\$ 67,000	\$ 999,800	\$ 382,876	\$ 1,518,980
2011	51,608	57,616	60,439		264,617	434,280
2012	44,780	56,237	65,897	629,376	391,849	1,188,139
2013	30,252	54,250	65,134	275,711	412,762	838,109
2014	22,752	43,293	59,563	161,289	222,790	509,687
2015	23,470	52,596	50,462	210,956	295,045	632,529
2016	26,871	36,462	65,058	310,678	744,224	1,183,293
2017	24,456	33,453	48,770	254,659	416,704	778,042
2018	166,436	173,772	54,176	177,491	491,033	1,062,908
2019	164,640	41,144	59,855	216,196	689,546	1,171,381

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Valuation	Total Direct School Tax Rate ^a
2010	\$ 18,430,500	\$ 672,502,400	\$ 105,147,200	\$ 233,907,300	\$ 34,198,500	\$ 1,064,185,900	\$ 2,410,654	\$ 1,066,596,554	\$ 3,956,951,460	\$ 4.262
2011	16,903,400	673,346,700	108,500,400	228,065,700	34,027,900	1,060,844,100	3,123,915	1,063,968,015	3,723,345,984	4.323
2012	16,583,100	674,244,400	108,131,200	226,154,800	34,003,900	1,059,117,400	3,211,348	1,062,328,748	3,468,973,947	4.324
2013	15,293,100	674,617,500	108,221,800	225,847,400	33,924,600	1,057,904,400	3,070,234	1,060,974,634	3,277,405,251	4.394
2014	14,078,200	675,822,900	112,403,000	215,090,300	33,487,200	1,050,881,600	2,743,918	1,053,625,518	3,272,805,570	4.472
2015	14,492,500	677,591,940	111,905,700	215,841,800	33,348,100	1,053,180,040	2,554,395	1,055,734,435	3,467,639,014	4.563
2016	13,551,600	678,291,340	114,196,600	212,596,300	33,738,200	1,052,374,040	2,597,073	1,054,971,113	3,621,562,461	4.775
2017	12,200,100	679,359,040	123,510,700	209,665,350	33,898,200	1,058,633,390	2,623,295	1,061,256,685	3,662,894,119	4.920
2018	13,073,000	690,271,140	125,225,800	215,971,050	34,006,900	1,078,547,890	2,519,308	1,081,067,198	3,866,711,268	4.922
2019	17,851,100	684,051,740	129,105,400	222,093,650	33,689,700	1,086,791,590	2,431,449	1,089,223,039	4,086,775,819	4.982

Source: County Abstract of Ratables

a - Tax rates are per \$100

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

Calendar Year	School	Overlapping Rates		Total Direct and Overlapping Tax Rate
		Municipality	County	
2010	\$ 4.262	\$ 3.387	\$ 1.522	\$ 9.171
2011	4.323	3.514	1.630	9.467
2012	4.324	3.603	1.691	9.618
2013	4.394	3.733	1.664	9.791
2014	4.472	3.872	1.692	10.036
2015	4.563	3.992	1.771	10.326
2016	4.775	4.058	1.836	10.669
2017	4.920	4.084	1.701	10.705
2018	4.922	4.013	1.626	10.561
2019	4.982	3.945	1.615	10.542

Source: County Abstract of Ratables

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

Taxpayer	2019		2010	
	Taxable Assessed Valuation	% of Total District Net Assessed Valuation	Taxable Assessed Valuation	% of Total District Net Assessed Valuation
RTC Properties, Inc.	\$ 34,957,100	3.21%	\$ 53,253,900	4.99%
PSE&G	22,089,500	2.03%	17,078,200	1.60%
112 Passaic Avenue, Uban Renewed, LLC	15,168,100 *	1.39%		
Schuyler Crossing, LLC	11,200,300 *	1.03%		
AMB Alliance Fund III	11,000,000	1.01%	13,000,000	1.22%
MEPT Passaic Ave, LLC	10,733,300	0.99%		
DVL Holdings		0.00%	8,675,800	0.81%
Sunset Cahuenga			9,977,300	0.94%
Russo Development			8,713,700	0.82%
Wal-Mart	9,264,200	0.85%	7,405,800	0.69%
APG New Jersey	8,500,000	0.78%		
Hartz Kearny Urban Renewal II, LLC	8,133,000 *			
Terrior Associates, LLC		0.00%		
Hurricane Associates, LLC			8,000,000	0.75%
Orangewood Prop. LTD		0.00%	5,633,500	0.53%
Hartz Mountain Industries		0.00%	6,569,200	0.62%
Kearny Holding VF LLC		0.00%	6,126,800	0.57%
DaSilva		0.00%		
KPIP Urban Renewal, LLC	7,408,400 *	0.68%		
Central Ave Real Estate, LLC	-	0.00%	-	
	<u>\$ 138,453,900</u>	<u>12.71%</u>	<u>\$ 144,434,200</u>	<u>13.54%</u>

* Includes PILOT

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 44,396,912	\$ 44,396,912	100.00%	N/A
2011	46,477,030	46,477,030	100.00%	N/A
2012	45,527,731	45,527,731	100.00%	N/A
2013	46,335,280	46,335,280	100.00%	N/A
2014	46,889,208	46,889,208	100.00%	N/A
2015	47,337,165	47,234,598	99.78%	\$ 102,567
2016	49,014,914	49,005,110	99.98%	-
2017	51,729,848	51,729,848	100.00%	N/A
2018	52,706,484	52,706,484	100.00%	N/A
2019	53,713,111	53,713,111	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Total	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovern- mental Loans	Bond/Grant Anticipation Notes			
2010	\$ 15,365,000					\$ 15,365,000	36,544	\$ 420
2011	14,290,000				\$ 10,000,000	24,290,000	40,718	597
2012	13,210,000				10,000,000	23,210,000	41,219	563
2013	12,120,000				7,500,000	19,620,000	41,430	474
2014	11,025,000		\$ 394,437		15,000,000	26,419,437	41,603	635
2015	9,780,000		329,829		15,000,000	25,109,829	41,681	602
2016	8,580,000		4,378,761		15,000,000	27,958,761	41,574	673
2017	7,450,000		3,653,895		15,000,000	26,103,895	41,589	628
2018	6,320,000		3,517,261		15,000,000	24,837,261	41,571	597
2019	5,185,000		2,962,824		6,727,117	14,874,941	41,422	359

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Inter- governmental Loans	Deductions			
2010	\$ 15,365,000			\$ 15,365,000	1.44%	\$ 420
2011	14,290,000			14,290,000	1.34%	351
2012	13,210,000			13,210,000	1.24%	320
2013	12,120,000			12,120,000	1.14%	293
2014	11,025,000			11,025,000	1.05%	265
2015	9,780,000			9,780,000	0.93%	235
2016	8,580,000			8,580,000	0.81%	206
2017	7,450,000			7,450,000	0.70%	179
2018	6,320,000			6,320,000	0.58%	152
2019	5,185,000			5,185,000	0.48%	125

Source: District records

**KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Kearny Board of Education (as of June 30, 2019)	\$ 5,185,000		\$ 5,185,000
Town of Kearny (as of December 31, 2018)	<u>79,383,366</u>	<u>\$ 9,662,467</u>	<u>69,720,899</u>
	<u>\$ 84,568,366</u>	<u>\$ 9,662,467</u>	<u>74,905,899</u>
Overlapping Debt Apportioned to the Municipality:			
County of Hudson			43,121,910
Passaic Valley Sewerage Commission			6,724,333
North Jersey District Water Supply Commission			<u>2,356,497</u>
			<u>52,202,740</u>
Total Direct and Overlapping Debt			<u>\$ 127,108,639</u>

Source:

Municipal and County Annual Debt Statements

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 160,013,566	\$ 154,205,149	\$ 145,427,054	\$ 136,452,123	\$ 130,844,283	\$ 130,838,539	\$ 135,481,070	\$ 140,094,135	\$ 150,241,636	\$ 150,241,636
Total Net Debt Applicable to Limit	<u>15,365,000</u>	<u>14,290,000</u>	<u>13,210,000</u>	<u>12,120,000</u>	<u>11,025,000</u>	<u>9,780,000</u>	<u>8,580,000</u>	<u>7,450,000</u>	<u>6,320,000</u>	<u>5,185,000</u>
Legal Debt Margin	<u>\$ 144,648,566</u>	<u>\$ 139,915,149</u>	<u>\$ 132,217,054</u>	<u>\$ 124,332,123</u>	<u>\$ 119,819,283</u>	<u>\$ 121,058,539</u>	<u>\$ 126,901,070</u>	<u>\$ 132,644,135</u>	<u>\$ 143,921,636</u>	<u>\$ 145,056,636</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.60%	9.27%	9.08%	8.88%	8.43%	7.47%	6.33%	5.32%	4.21%	3.45%

Legal Debt Margin Calculation for Fiscal Year 2019

Equalized Valuation Basis	
2018	\$ 3,978,413,464
2017	3,722,339,627
2016	3,567,369,627
	<u>\$ 11,268,122,718</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,756,040,906</u>
Debt Limit (4% of Average Equalization Value)	\$ 150,241,636
Total Net Debt Applicable to Limit	<u>5,185,000</u>
Legal Debt Margin	<u>\$ 145,056,636</u>

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2010	36,544	\$ 42,967	12.40%
2011	40,718	45,067	11.30%
2012	41,219	46,053	11.40%
2013	41,430	47,628	9.90%
2014	41,603	48,344	7.50%
2015	41,681	51,766	6.40%
2016	41,574	55,354	5.50%
2017	41,589	57,081	4.80%
2018	41,571	59,623	4.70%
2019	41,422	N/A	N/A

Source: New Jersey State Department of Education

N/A - Not available

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

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	408	398	411	393	399	384	370	365	368	370
Special Education	31	31	29	35	30	34	40	40	41	42
Other Special Education	36	36	38	37	44	48	52	51	51	50
Vocational	4	3	3	3	3	3	3	3	3	3
Support Services:										
Student and Instruction Related Services	61	60	58	61	60	53	56	55	55	55
General Administration	14	15	15	15	15	13	14	14	13	13
School Administrative Services	19	23	24	23	24	23	23	23	21	20
Central Services	8	9	9	9	9	8	7	8	8	8
Administrative Information Technology	4	4	4	7	7	8	8	8	8	8
Plant Operations and Maintenance	72	72	72	68	68	69	66	67	68	68
Pupil Transportation	9	12	12	12	12	13	13	13	12	11
Special Schools	40	40	37	37	37	37	37	37	37	37
Total	<u>705</u>	<u>703</u>	<u>712</u>	<u>700</u>	<u>708</u>	<u>693</u>	<u>688</u>	<u>684</u>	<u>685</u>	<u>685</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
2010	5,744	\$ 82,227,137	\$ 14,315	7.34%	N/A	1:16	1:19	1:11	5,709	5,427	-0.64%	95.06%
2011	5,830	81,496,596	13,979	-2.35%	N/A	1:15	1:18	1:10	5,418	5,154	-5.10%	95.13%
2012	5,894	84,184,458	14,283	2.18%	N/A	1:15	1:22	1:12	5,887	5,594	8.66%	95.02%
2013	5,979	86,017,958	14,387	0.73%	N/A	1:15	1:22	1:13	6,018	5,785	2.23%	96.13%
2014	5,911	86,844,142	14,692	2.12%	N/A	1:15	1:22	1:13	5,912	5,641	-1.76%	95.42%
2015	5,915	90,281,756	15,263	3.89%	N/A	1:15	1:22	1:13	5,909	5,608	-0.05%	94.91%
2016	5,909	93,282,446	15,787	3.43%	N/A	1:15	1:22	1:13	5,912	5,617	0.05%	95.01%
2017	5,999	95,403,138	15,903	0.74%	N/A	1:15	1:22	1:13	5,563	5,341	-5.90%	96.01%
2018	5,628	98,465,377	17,496	10.01%	N/A	1:15	1:22	1:13	5,578	5,280	0.27%	94.66%
2019	5,363	110,092,720	20,528	17.33%	N/A	1:15	1:22	1:13	5,295	5,011	-5.07%	94.64%

Sources: District records

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

N/A Not Available

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District Building										
<u>Elementary</u>										
<u>Franklin</u>										
Square Feet	108,820	108,820	108,820	114,854	114,854	114,854	114,854	114,854	114,854	114,854
Capacity (students)	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Enrollment	1,027	1,029	1,056	1,095	1,086	1,103	1,146	938	935	889
<u>Garfield</u>										
Square Feet	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095
Capacity (students)	578	578	578	578	578	578	578	578	578	578
Enrollment	591	604	661	666	654	562	526	530	524	498
<u>Lincoln Middle School</u>										
Square Feet	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510
Capacity (students)	794	794	794	794	794	794	794	794	794	794
Enrollment	748	749	794	825	817	865	882	911	909	856
<u>Roosevelt</u>										
Square Feet	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385
Capacity (students)	463	463	463	463	463	463	463	463	463	463
Enrollment	463	461	462	455	457	483	466	435	438	405
<u>Schuyler</u>										
Square Feet	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880
Capacity (students)	514	514	514	514	514	514	514	514	514	514
Enrollment	484	534	518	518	504	553	530	453	454	451
<u>Washington</u>										
Square Feet	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220
Capacity (students)	671	671	671	671	671	671	671	671	671	671
Enrollment	657	659	683	689	703	625	621	566	560	540
<u>High School</u>										
Square Feet	163,760	163,760	163,760	276,400	276,400	276,400	276,400	276,400	276,400	276,400
Capacity (students)	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569
Enrollment	1,774	1,794	1,720	1,731	1,690	1,710	1,747	1,730	1,730	1,709

Number of Schools at June 30, 2019

Elementary = 5

Middle = 1

High School = 1

Source: District Records

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
School Facilities										
Kearny High School	\$ 749,779	\$ 694,882	\$ 630,522	\$ 678,456	\$ 651,132	\$ 805,694	\$ 766,505	\$ 712,077	\$ 756,037	\$ 689,995
Franklin School	376,160	348,619	316,330	340,377	326,670	404,213	384,551	357,342	379,300	346,166
Garfield School	218,096	202,128	183,407	197,349	189,402	234,361	222,962	207,128	219,917	200,706
Lincoln School	306,172	283,756	257,475	277,047	265,890	329,006	313,003	290,870	308,728	281,759
Roosevelt School	149,449	138,507	125,679	135,233	129,787	160,595	152,783	141,938	150,697	137,533
Schuyler School	189,662	175,776	159,496	171,620	164,708	203,807	193,893	180,126	191,245	174,539
Washington School	<u>298,065</u>	<u>276,242</u>	<u>250,657</u>	<u>269,711</u>	<u>258,850</u>	<u>320,294</u>	<u>304,715</u>	<u>282,811</u>	<u>300,554</u>	<u>274,299</u>
Total School Facilities	<u>\$ 2,287,383</u>	<u>\$ 2,119,910</u>	<u>\$ 1,923,566</u>	<u>\$ 2,069,793</u>	<u>\$ 1,986,439</u>	<u>\$ 2,457,970</u>	<u>\$ 2,338,412</u>	<u>\$ 2,172,292</u>	<u>\$ 2,306,478</u>	<u>\$ 2,104,997</u>

Source: District Records

**KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2019
(Unaudited)**

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

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

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

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

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


Compliance and Other Matters


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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Kearny Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated November 8, 2019.

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 8, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Kearny Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Kearny Board of Education's major federal and state programs for the fiscal year ended June 30, 2019. The Kearny Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Kearny Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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


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

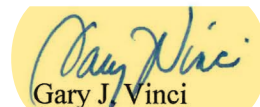
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify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

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

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

We have audited the financial statements of the Kearny Board of Education, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated November 8, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 8, 2019

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal/Grantor/Pass-Through Grant Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance July 1, 2018	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Cancellations	Refund of Prior Year Balances	June 30, 2019			(Memo Only) GAAP Account Receivable
												(Account Receivable)	Uncearned Revenue	Due to Grantor	
U.S. Department of Education Passed-through State Department of Education															
Medicaid Assistance Program	93.778	1905NJ5MAP	7/1/18-6/30/19	\$ 163,018			\$ 163,018	\$ 163,018							
Medicaid Assistance (MAC)	93.778	1905NJ5MAP	7/1/18-6/30/19	27,379	-	-	27,379	27,379	-	-	-	-	-	-	-
Total Medicaid Assistance Programs - General Fund					-	-	190,397	190,397	-	-	-	-	-	-	-
U.S. Department of Education Passed-through State Department of Education															
School Equipment Grant	10.579	181NJ354N8103	7/1/18-6/30/19	\$ 13,088			\$ 13,088					\$ 13,088			
Food Distribution Program	10.555	181NJ304N1099	7/1/17-6/30/18	138,165	\$ 6,902			\$ 6,902							
Food Distribution Program	10.555	191NJ304N1099	7/1/18-6/30/19	143,903			143,903	143,223				680			
National School Lunch Program	10.555	181NJ304N1099	7/1/17-6/30/18	1,149,909	(74,590)		74,590								
National School Lunch Program	10.555	191NJ304N1099	7/1/18-6/30/19	1,084,927			1,014,995	1,084,927			\$ (69,932)			\$ (69,932)	
National School Breakfast Program	10.553	181NJ304N1099	7/1/17-6/30/18	198,376	(18,416)		18,416								
National School Breakfast Program	10.553	191NJ304N1099	7/1/18-6/30/19	196,944			180,811	196,944				(16,133)		(16,133)	
Total U.S. Department of Agriculture - Enterprise Fund					(86,104)	-	1,445,803	1,431,996	-	-	-	(86,065)	13,768	-	(86,065)
U.S. Department of Education Passed-through State Department of Education															
Title I, Part A	84.010A	S010A150030	7/1/15-6/30/16	1,558,712	55					\$ (55)					
Title I, Part A	84.010A	S010A170030	7/1/17-6/30/18	1,538,023	(250,480)	\$ (245,376)	250,480		\$ 245,376						
Title I, Part A	84.010A	S010A180030	7/1/18-6/30/19	1,623,389		245,376	1,044,746	1,562,139	(245,376)			(824,019)	306,626	(512,281)	
Title I, Part STA	84.010A	S010A180030	7/1/18-6/30/19	36,169								(36,169)	36,169		
Total Title I					(250,425)	-	1,295,226	1,562,139	-	(55)	-	(860,188)	342,795	(512,281)	
I.D.E.A Part B, Basic Regular	84.027	H027A170100	7/1/17-6/30/18	1,333,229	(33,092)	(76,365)	33,090		76,365	2					
I.D.E.A Part B, Basic Regular	84.027	H027A180100	7/1/18-6/30/19	1,280,140		76,365	1,035,070	1,319,194	(76,365)		(321,435)	37,311		(272,189)	
I.D.E.A. Part B, Preschool	84.173	H173A170114	7/1/17-6/30/18	27,559	(1,498)	(3,337)	1,498		3,337						
I.D.E.A. Part B, Preschool	84.173	H173A180114	7/1/18-6/30/19	28,645		3,337	24,078	31,009	(3,337)		(7,904)	973		(6,931)	
Total I.D.E.A					(34,590)	-	1,093,736	1,350,203	-	2	-	(329,339)	38,284	(279,120)	
Title II, Part A	84.367A	S367A170029	7/1/17-6/30/18	235,115	(96,577)	(66,191)	96,577		66,191						
Title II, Part A	84.367A	S367A180029	7/1/18-6/30/19	210,261		66,191	110,175	245,175	(66,191)			(166,277)	31,277	(135,000)	
Total Title II					(96,577)	-	206,752	245,175	-	-	-	(166,277)	31,277	(135,000)	
Title III	84.365A	S365A160030	7/1/16-6/30/17	75,696	2					(2)					
Title III	84.365A	S365A170030	7/1/17-6/30/18	148,773		(61,145)			61,145						
Title III	84.365A	S365A180030	7/1/18-6/30/19	80,003		61,145	73,667	99,538	(61,145)		(67,481)	41,610		(20,499)	
Title III Immigrant	84.365A	S365A170030	7/1/17-6/30/18	45,404	(4,929)	(4,029)	12,880	7,951	4,029						
Title III Immigrant	84.365A	S365A180030	7/1/18-6/30/19	28,407		4,029	15,173	25,722	(4,029)		(17,263)	6,714		(6,659)	
Total Title III					(4,927)	-	101,720	133,211	-	(2)	-	(84,744)	48,324	(27,158)	
Temporary Emergency Impact Aid	84.938	S938C180005	7/1/17-6/30/18	42,000			42,000	42,000							
Carl D. Perkins- Voc. Education	84.048A	N/A	7/1/13-6/30/14	56,243	(3,000)					3,000					
Carl D. Perkins- Voc. Education	84.048A	V048A160030	7/1/16-6/30/17	57,087	398					(398)					
Carl D. Perkins- Voc. Education	84.048A	V048A170030	7/1/17-6/30/18	63,800	(19,985)		19,985								
Carl D. Perkins- Voc. Education	84.048A	V048A180030	7/1/18-6/30/19	60,746			49,826	60,606			(10,920)	140		(8,385)	
Total Carl D. Perkins					(22,587)	-	111,811	102,606	-	2,602	-	(10,920)	140	(8,385)	
Total U.S. Department of Education - Special Revenue Fund					(409,106)	-	2,809,245	3,393,334	-	2,547	-	(1,451,468)	460,820	(961,944)	
U.S. Department of Transportation Airport Improvement Program															
Aircraft Noise Abatement - K.H.S.	20.106	N/A	Not Available	21,145,025	(3,051,415)		1,569,703					(1,481,712)		(1,481,712)	
Total U.S. Department of Transportation - Capital Projects Fund					(3,051,415)	-	1,569,703					(1,481,712)		(1,481,712)	
Total Federal Awards					\$ (3,546,625)	\$ -	\$ 6,015,148	\$ 5,015,727	\$ -	\$ 2,547	\$ -	\$ (3,019,245)	\$ 474,588	\$ -	\$ (2,529,721)

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KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2018		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	June 30, 2019			MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor						(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education																
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 3,583,423	\$ (354,070)			\$ 354,070									
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	5,200,975				4,683,913	\$ 5,200,975			\$ (517,062)				\$ 5,200,975	
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	26,205,446	(2,454,075)			2,454,075									
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	30,794,824				27,733,313	30,794,824			(3,061,511)				30,794,824	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	408,316	(40,345)			40,345									
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	2,040,647				1,837,773	2,040,647			(202,874)				2,040,647	
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	500,000	(49,404)			49,404									
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	58,140	(5,745)			5,745									
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	58,140	(5,745)			5,745									
Professional Community Learning Aid	18-495-034-5120-101	7/1/17-6/30/18	58,330	(5,763)			5,763									
Total State Aid Public				(2,915,147)			37,170,146	38,036,446			(3,781,447)				38,036,446	
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	410,735	(410,735)			410,735									
Extraordinary Aid	19-100-034-5120-044	7/1/18-6/30/19	578,942					578,942			(578,942)				578,942	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	57,192	(5,651)			5,651									
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	239,445				215,640	239,445			(23,805)				239,445	
TPAF Social Security Aid	18-495-034-5094-003	7/1/17-6/30/18	2,468,393	(256,457)			256,457									
TPAF Social Security Aid	19-495-034-5094-003	7/1/18-6/30/19	2,982,589				2,683,809	2,982,589			(298,780)			\$ (298,780)	2,982,589	
On Behalf TPAF																
NCGI Premium	19-495-034-5094-004	7/1/18-6/30/19	157,464				157,464	157,464							157,464	
TPAF Pension Contribution	19-495-034-5094-002	7/1/18-6/30/19	7,522,421				7,522,421	7,522,421							7,522,421	
TPAF Long Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	6,256				6,256	6,256							6,256	
TPAF Post Retirement	19-495-034-5094-001	7/1/18-6/30/19	3,483,583				3,483,583	3,483,583							3,483,583	
Total General Fund				(3,587,990)			51,912,162	53,007,146			(4,682,974)			(298,780)	53,007,146	
Early Childhood Program Aid	07-495-034-5120-025	7/1/06-6/30/07	2,511,213	236,642								\$ 236,642				
Preschool Education Aid	18-495-034-5120-086	7/1/17-6/30/18	351,648	(34,746)			34,746									
Preschool Education Aid	19-495-034-5120-086	7/1/18-6/30/19	356,928				321,235	317,988			(35,693)	38,940			317,988	
New Jersey Nonpublic Aid																
Textbook Aid	19-100-034-5120-064	7/1/18-6/30/19	6,889				6,889	6,889							6,889	
Auxiliary Services																
Compensatory Education	19-100-034-5120-067	7/1/18-6/30/19	15,905				15,905	9,306					\$ 6,599		9,306	
Handicapped Services																
Examination and Classification	19-100-034-5120-066	7/1/18-6/30/19	14,919				14,919	7,886						7,033		7,886
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	8,035		\$ 6,874					\$ 6,874						
Corrective Speech	19-100-034-5120-066	7/1/18-6/30/19	5,357				5,357							5,357		
Supplementary	18-100-034-5120-066	7/1/17-6/30/18	5,551		3,330					3,330						
Supplementary	19-100-034-5120-066	7/1/18-6/30/19	5,551				5,551	2,617						2,934		2,617
Nursing	19-100-034-5120-070	7/1/18-6/30/19	14,065				14,065	14,065							14,065	
Nursing	18-100-034-5120-070	7/1/17-6/30/18	13,871		11,876					11,876						
Nursing	17-100-034-5120-070	7/1/16-6/30/17	9,720		10									10		
Technology	19-100-034-5120-373	7/1/18-6/30/19	4,644				4,644	4,644								4,644
Security	19-100-034-5120-509	7/1/18-6/30/19	21,750				21,750	21,750							21,750	
Department of Human Services																
School Based Youth Services	SB08020	7/1/18-6/30/19	277,587				277,587	277,587								277,587
School Based Youth Services	SB08020	7/1/17-6/30/18	281,587					6,190	\$ 6,190							6,190
School Based Youth Services	SB08020	7/1/16-6/30/17	277,587	22,859										22,859		
School Based Youth Services	SB08020	7/1/14-6/30/15	277,587	2,219										2,219		
School Based Youth Services	SB08020	7/1/13-6/30/14	277,587	34										34		
School Based Youth Services	SB08020	7/1/12-6/30/13	282,387	203										203		
School Based Youth Services	SB08020	7/1/09-6/30/10	277,587	27,839										27,839		
Total Special Revenue Fund				255,050	22,090		722,648	668,922	6,190	22,080	(35,693)	328,736	21,933		668,922	

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KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2018			Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	June 30, 2019			MEMO	
				Unearned Revenue/ (Accts Rec.)	Due to Grantor	Carryover Amount					(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
New Jersey Economic Development Authority															
Facilities Grant Program															
KHS - Façade	2410-050-05-1400	N/A	\$ 2,433,708	\$ (474,603)			\$ 394,992				\$ (79,611)			\$ (79,611)	\$ 2,388,111
KHS Aircraft Noise Abatement	2410-050-04-3000	N/A	17,608,507	(3,433,659)			3,433,659				-			-	17,608,507
Franklin School and BOE Offices	2410-X02-09-1002	N/A	873,582	(873,582)			873,582				-			-	873,582
Franklin School Alterations	2410-070-09-2001	N/A	47,250	(47,250)	-	-	-	-	-	-	(47,250)	-	-	(47,250)	26,293
Total Capital Projects Fund				(4,829,094)	-	-	4,702,233	-	-	-	(126,861)	-	-	(126,861)	20,896,493
Debt Service Aid	19-495-034-5120-075	7/1/18-6/30/19	380,596	-	-	-	380,596	\$ 380,596	-	-	-	-	-	-	380,596
Total Debt Service Fund				-	-	-	380,596	380,596	-	-	-	-	-	-	380,596
State Department of Agriculture															
State School Lunch Program	18-100-010-3360-023	7/1/17-6/30/18	21,727	(1,616)			1,616								
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	23,273	-	-	-	21,790	23,273	-	-	(1,483)	-	-	(1,483)	23,273
Total Enterprise Fund				(1,616)	-	-	23,406	23,273	-	-	(1,483)	-	-	(1,483)	23,273
Total State Awards			\$ (8,163,650)	\$ 22,090	\$ -	\$ -	\$ 57,741,045	\$ 54,079,937	\$ 6,190	\$ 22,080	\$ (4,847,011)	\$ 328,736	\$ 21,933	\$ (427,124)	\$ 74,976,430
Less: State Aid Not Subject to Single Audit:															
On-Behalf TPAF															
NCGI Premium															
Pension Contribution															
Long-Term Disability Insurance															
Post-Retirement Medical															
Total State Financial Assistance Subject to Single Audit															
\$ 42,910,213															

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$1,463,397 for the general fund and an increase of \$1,398 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 190,397	\$ 51,543,749	\$ 51,734,146
Special Revenue Fund	3,364,630	699,024	4,063,654
Capital Projects Fund		66,554	66,554
Debt Service Fund		380,596	380,596
Food Service Fund	1,431,996	23,273	1,455,269
Total Financial Assistance	<u>\$ 4,987,023</u>	<u>\$ 52,713,196</u>	<u>\$ 57,700,219</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$2,982,589 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$7,679,885, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$3,483,583 and TPAF Long-Term Disability Insurance in the amount of \$6,256 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2019.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards Section

Internal Control over major programs:

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

2) Significant deficiencies identified? _____ yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>S010A180030</u>	<u>Title I</u>
<u>84.027</u>	<u>H027A180100</u>	<u>Title I SIA</u>
<u>84.173</u>	<u>H173A180114</u>	<u>IDEA Basic</u>
<u>84.010</u>	<u>S010A180030</u>	<u>IDEA Preschool</u>
<u>10.553</u>	<u>191NJ304N1099</u>	<u>School Breakfast Program</u>
<u>10.555</u>	<u>191NJ304N1099</u>	<u>National School Lunch Program</u>

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

Auditee qualified as low-risk auditee? _____ yes X no

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part I – Summary of Auditor’s Results

State Awards Section

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

\$ 1,287,306

Auditee qualified as low-risk auditee?

_____ yes X no

Internal Control over major programs:

1) Material weakness(es) identified?

_____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses?

_____ yes X none reported

Type of auditors' report on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08?

_____ yes X none

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>19-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>19-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>19-495-034-5120-084</u>	<u>Security Aid</u>
<u>19-495-034-5094-003</u>	<u>TPAF Social Security</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.