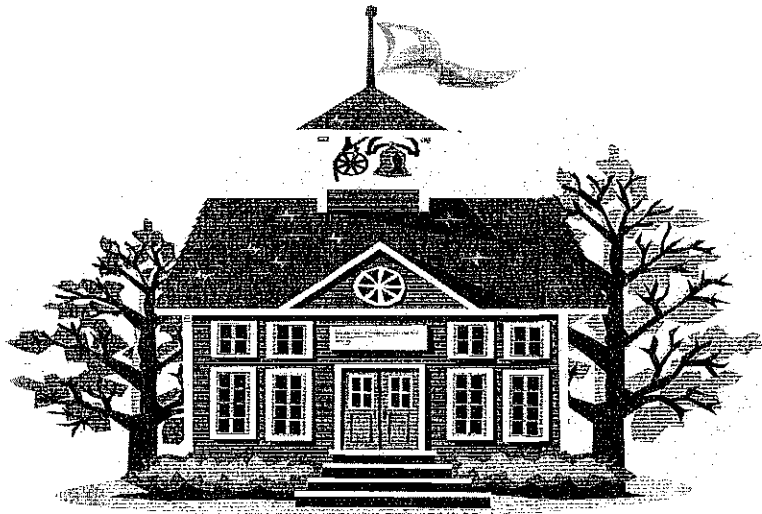


SCHOOL DISTRICT

OF

KENILWORTH



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

KENILWORTH BOARD OF EDUCATION

KENILWORTH, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY

**KENILWORTH BOARD OF EDUCATION
FINANCE DEPARTMENT**

KENILWORTH SCHOOL DISTRICT

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Kyle C. Arlington
Superintendent
of Schools



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

Kenilworth Public Schools
Office of the School Business Administrator/Board Secretary
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426 Boulevard
Kenilworth, New Jersey 07033
908-276-1644

December 5, 2019

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

Dear Board Members:

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

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

*Arlington/Gonnella to Board of Education
December 5, 2019*

1) REPORTING ENTITY AND ITS SERVICES:

The Kenilworth School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Board and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular as well as special education for handicapped youngsters. The District's enrollment as of October 15, 2018 was 1,401 students. The following details the changes in the student enrollment of the District over the last ten years using an October 15th count:

FISCAL YEAR	October 15th Enrollment	Enrollment % Change
2018 – 2019	1401	.29%
2017 – 2018	1397	4.02%
2016 – 2017	1343	(0.74%)
2015 – 2016	1353	(4.18%)
2014 – 2015	1412	1.66%
2013 – 2014	1389	(0.79%)
2012 - 2013	1400	5.8%
2011 – 2012	1323	0.53%
2010 – 2011	1316	(3.73%)
2009 – 2010	1367	4.03%
2008 – 2009	1314	(2.38%)
2007 – 2008	1346	2.28%
2006 – 2007	1316	(3.16%)
2005 - 2006	1359	6.09%
2004 – 2005	1281	1.18%
2003 – 2004	1266	2.51%
2002 – 2003	1235	7.48%
2001 - 2002	1149	6.09%
2000 - 2001	1083	3.54%
1999 - 2000	1046	6.30%
1998 - 1999	984	5.80%
1997 - 1998	930	37.98%
1996 - 1997	674	(3.44%)
1995 - 1996	698	6.24%
1994 - 1995	657	2.01%
1993 - 1994	644	6.62%
1992 - 1993	604	(3.20%)
1991 - 1992	624	5.40%
1990 - 1991	592	(3.26%)
1989 - 1990	612	----

You may note that the Board is directly responsible for overseeing high school-aged students attending the Brearley School; the data shows a dramatic change from the K-8 data. The 1997-1998 data was the new base

*Arlington/Gonnella to Board of Education
December 5, 2019*

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

2) ECONOMIC CONDITION AND OUTLOOK:

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

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

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

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

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

STATUS OF FACILITIES:

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

*Arlington/Gonnella to Board of Education
December 5, 2019*

COMPREHENSIVE MAINTENANCE SUMMARY:

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

Consistent with maintaining buildings at a level of excellence and Kenilworth standards, a total of \$343,264 was spent on Renovations/Repairs to the Harding and Brearley facilities during the 2018-2019 school year:

Harding School:

Repair of Building & Equipment	\$ 77,115	
Instructional Equipment Repairs	<u>\$ -</u>	
		\$ 77,115

Brearley School:

Repair of Building & Equipment*	\$ 101,788	
Instructional Equipment Repairs	<u>\$ 8,907</u>	
		\$ 110,695

District Level:

Contracted Upkeep of Grounds (No Salaries)	\$ 42,683	
Asbestos Management	\$ 13,705	
Contracted Services Maintenance	\$ 64,591	
Maintenance Supplies & Other Objects	\$ 9,131	
Maintenance Agreements	<u>\$ 25,344</u>	
		<u>\$ 155,454</u>

Total		<u>\$ 343,264</u>
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STATUS OF LONG-RANGE FACILITY PLAN (N.J.A.C. 6:22-7.1):

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

The district held a facility referendum in December 2008. The \$13.9 million question was approved by the community. Planning for the implementation of the project began immediately. The Harding and Brearley Schools are aging and some of the major systems are beginning to show their age. Increased concerns from external security threats need to be seriously considered and modifications to facilities need to be made

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accordingly. The Board has developed a facility plan to address these deficiencies and restore the facilities to the pristine and safe level expected of the community. The projects being targeted are not glamorous in nature or clearly evident with the naked eye. Targeted projects for the referendum include windows, roofs, doors, and upgrades to electrical systems and ventilation systems.

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

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

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

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

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

Summer 2012 completed projects included renovations to the Harding Library.

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

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

Summer 2018 renovation to Harding School included the addition of a fifth Kindergarten classroom by relocating the Business Office to another section of Harding School.

Also completed during the summer of 2018 was the installation of secure entrances to both the Harding and Brearley facilities.

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

STATUS OF REQUIRED ANNUAL HEALTH AND SAFETY REVIEW:

The Head of Maintenance conducted annual and monthly inspections of the buildings. The School Business Administrator conducted an annual inspection of the buildings. The two building principals have conducted "Checklist Report: Evaluation of School Buildings Indicator 7.6" which are included in this submission. All health and safety matters of an immediate nature were taken care of. All required health and safety

*Arlington/Gonnella to Board of Education
December 5, 2019*

certificates are on file in the boiler room and the school cafeterias. The three-year reinspection and update of the Asbestos Management Plan for Harding School was conducted in 1992, and updated in 1995. In 2018 a three-year re-inspection was conducted on both the Harding and Brearley facilities, along with major updates to the plan.

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

3) MAJOR INITIATIVES INSTRUCTIONAL PROGRAM:

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

District goals in 2019-2020 were proposed to improve performance at both Harding Elementary School and David Brearley Middle-High School. More specifically, for school-year 2019-2020 our district goals include a focus on student achievement in order to improve our intervention services - including a recommitment to a multi-tiered system of supports - and focus on future ready practices in order to innovate and advance student achievement. Other instructional work encompassed in our district goals include focusing on mental health and wellness, with specific attention paid towards social emotional learning (SEL.) To this end, our grades K-6 classrooms are implementing a curriculum-based SEL program called "Second Step." We will support this work, and professional learning around it, for the next several years. Our final district goal focuses on offering our teachers more job-embedded and targeted professional learning.

In turn, each building is focusing major efforts on individual building goals which are borne out of our district goals. These building goals include a revision to our K-6 intervention and basic skills support programs, a heavier reliance on the use of data to inform instructional decision making, building professional capital in teachers via a greater focus on teacher leadership and capacity building and scaling our social emotional teaching and learning.

This year, we implemented a new pre-school curriculum entitled "Tools of the Mind." The program implementation, along with offering tuition-less preschool, is part of our ongoing work, which will continue for the next several years to expand our preschool program and more greatly prioritize early childhood education.

We are also engaged in the creation of a three-year English Language Arts overhaul to our K-6 program. Our goal is that by school year 2022-2023 we will have a fully realized balanced literacy program in place that prioritizes reading and writing workshop. To start this work, this year and next our teachers are engaged in professional learning around Orton Gillingham word study instruction, guided reading, book clubs, readers workshop and small group instruction.

Moreover, we are continuing to monitor our implementation of GOMath. The program and accompanying professional learning conversations have yielded a rise in student achievement levels. As such, we are

*Arlington/Gonnella to Board of Education
December 5, 2019*

supporting GOMath's implementation in grade 7 this year and are expanding program adoption to grade 8 next school-year.

In grades 7-12, we continue to monitor and tweak year two of a new Drop and Rotate Schedule, which allows for longer instructional blocks of time for students and more collaboration time for teachers. Scheduling tweaks exist at the K-6 level as well. For the first time we are implementing an innovative "What I Need Period" (or WIN period) to allow for greater differentiation, tiered supports, and targeted instruction in grades K-6.

As part of our work to more heavily prioritize innovation, we are currently looking at the indicators of the national Future Ready School program to inform our district-level conversations and classroom practices. We are gearing up for a one-to-one Chromebook roll-out in grades 7-12 in school year 2020-2021. We are also reviewing the state's new Computer Science guidance as a way of directing our programming efforts. While we're excited to offer and expand more Computer Science courses at the secondary level, we realize there is a need for such learning in the foundational grades. We recently transformed our elementary library into a 21st Century makerspace. Students across the grades now have access to units of study in coding, robotics, design and engineering principles, as well as informational literacy. We are developing new models of professional learning, also, that are inspired by some of our future ready practices. This January, we will be piloting our first Ed Camp to allow for more heuristic and progressive professional learning.

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

4) INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations

*Arlington/Gonnella to Board of Education
December 5, 2019*

related to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

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

5) BUDGETARY CONTROLS:

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

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

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) DEBT ADMINISTRATION:

2003 ERIP Refinance:

The District refunded Bonds associated with the NJ Pension Early Retirement Incentive Plan in the amount of \$410,000 on September 29, 2003. Total Debt Service in the amount of \$39,812.50 was paid during the fiscal year 2019. A \$30,000 principal payment was made. Outstanding debt as of June 30, 2019 was \$70,000.

2009 Bond Issue:

A \$13,900,000 Bond Referendum was passed on December 9, 2008. Bonds were issued during the 2008-2009 school year. Proceeds are being used for a variety of facility upgrades including site development, health and safety matters, roofs, doors, windows, and classroom alterations. Total Debt Service in the amount of \$828,000 was paid during the fiscal year 2019. A \$765,000 principal payment was made. This bond was refunded in the Spring of 2016 with outstanding debt, as of June 30, 2019 of \$1,510,000.

*Arlington/Gonnella to Board of Education
December 5, 2019*

2016 Refunding:

In the Spring of 2016 the 2009 Bond issue was refinanced due to potential savings. Total Debt Service in the amount of \$370,800 was paid during the fiscal year 2019. A \$0 principal payment was made. The principal balance as of June 30, 2019 was \$9,270,000.

Total debt retired in fiscal year 2019 was \$800,000. Total outstanding debt for the District as of June 30, 2019, was \$10,850,000.

8) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement," Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. As mentioned earlier, historically low interest rates impeded the district's ability to generate interest income compared to previous years.

9) RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds for the Business Administrator, Assistant to the Board Secretary, and the Treasurer of School Monies.

10) OTHER INFORMATION:

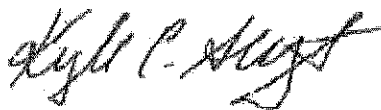
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert S. Hulsart and Company was selected by the Board to conduct the annual independent audit. In addition to meeting the requirements set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

11) ACKNOWLEDGMENTS:

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

*Arlington/Gonnella to Board of Education
December 5, 2019*

Respectfully submitted,



Kyle C. Arlington
Superintendent



Vincent A. Gonnella
Board Secretary/Business Administrator

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

**ROSTER OF OFFICIALS
June 30, 2019**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gregg F. David, President	12/31/2020
Ryan Haberthur, Vice President	12/31/2020
Robert Beiner	12/31/2019
Genean Braun	12/31/2021
Paulette Drogon	12/31/2021
Mark Jankiewicz	12/31/2019
Anthony Laudati	12/31/2019
Michelle Panichi	12/31/2021
Nancy Zimmerman	12/31/2020

Other Officials:

Kyle C. Arlington, Acting Superintendent of Schools

Vincent A. Gonnella, Board Secretary/Business Administrator

Jeanne Decker, Treasurer

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

Administration:

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

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

CONSULTANTS & ADVISORS

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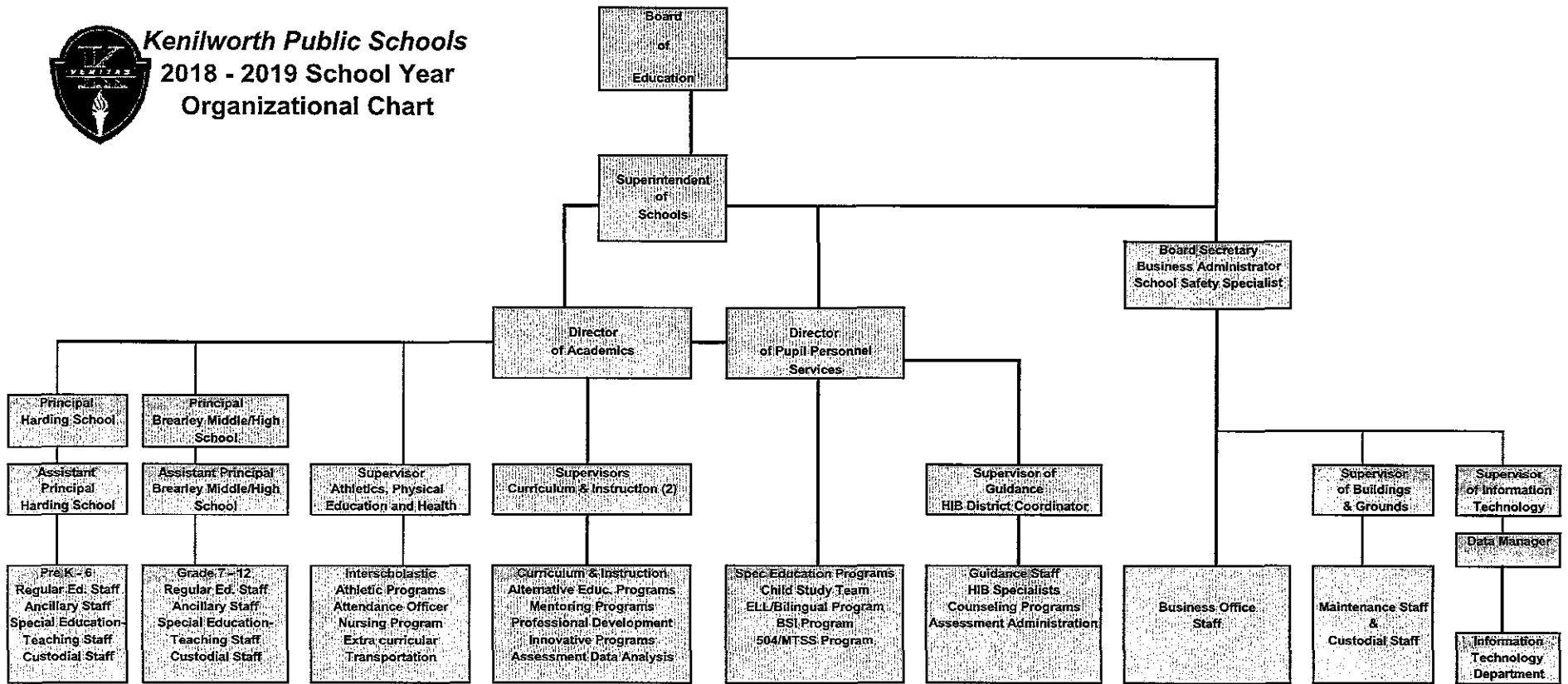
CBIZ Agency
219 South Street
New Providence, NJ 07974

Health Benefits Advisor

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



Kenilworth Public Schools
2018 - 2019 School Year
Organizational Chart



Updated: January 2019

FINANCIAL SECTION

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

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

Other Matters

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

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the Kenilworth's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kenilworth Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY



Robert A. Hulsart
Licensed Public School Accountant
No. 322

Robert A. Hulsart and Company
Wall Township, New Jersey

December 5, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

KENILWORTH PUBLIC SCHOOL DISTRICT
BOROUGH OF KENILWORTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The discussion and analysis of Kenilworth Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2018-2019 fiscal year are as follows:

- General revenues accounted for \$31,856,820 in revenue or 96% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,852,819 or 4% percent to total revenues of \$33,709,639.
- The School District had \$32,750,465 in expenses; only \$1,852,819 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$31,856,820 were adequate to provide for these programs.
- The General Fund had \$31,147,184 in revenues, \$30,299,196 in expenditures. The General Fund's balance increased \$847,988 from 2018. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Using this Comprehensive Annual Financial Report (CAFR)

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2018-2019 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

Table 1 provides a summary of the School District's net position comparisons of fiscal year 2019 with 2018.

Table 1
Net Position

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current and Other Assets	\$ 3,108,960	3,953,220
Capital Assets, Net	<u>10,849,703</u>	<u>9,453,024</u>
Total Assets	<u>\$ 13,958,663</u>	<u>13,406,244</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>\$ 1,361,306</u>	<u>1,509,924</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$ 1,446,996</u>	<u>1,000,024</u>
<u>Liabilities</u>		
Current Liabilities	\$ 1,221,636	1,097,497
Long Term Liabilities	<u>14,649,899</u>	<u>16,031,988</u>
Total Liabilities	<u>\$ 15,871,535</u>	<u>17,129,485</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 7,817,673	(1,496,976)
Restricted	4,779,566	3,591,382
Unrestricted	<u>(14,595,801)</u>	<u>(5,307,747)</u>
Total Net Position	<u>\$ (1,998,562)</u>	<u>(3,213,341)</u>

Table 2 shows the changes in net position for fiscal year 2019. Revenue and expense comparisons to fiscal year 2018.

Table 2
Changes in Net Position

	<u>2019</u>	<u>2018</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 1,018,403	953,384
Operating Grants and Contributions	834,416	813,517
General Revenues		
Property Taxes	20,516,115	20,573,725
Grants and Entitlements	11,021,497	8,739,355
Other	<u>574,813</u>	<u>178,471</u>
Total Revenues	<u>33,965,244</u>	<u>31,258,452</u>
<u>Program Expenses</u>		
Instruction	12,865,138	11,986,828
Support Services		
Pupils and Instructional Staff	4,674,046	4,584,652
General Administration, School Administration, Business	10,232,244	9,318,348
Operations and Maintenance of Facilities	1,891,810	1,615,633
Pupil Transportation	842,707	847,979
Interest on Debt	423,624	456,021
Unallocated Depreciation	616,371	616,371
Capital Outlay Not Capitalized	481,776	164,624
Special Schools	38,845	44,927
Enterprise	<u>683,904</u>	<u>637,476</u>
Total Expenses	<u>32,750,465</u>	<u>30,272,859</u>
Increase/Decrease in Net Position	<u>\$ 1,214,779</u>	<u>985,593</u>

Governmental Activities

Property taxes made up 64% percent of revenues for governmental activities for the Kenilworth Public School District for fiscal year 2019. The District's total revenues were \$33,965,244 for the fiscal year ended June 30, 2019. Federal, state and local grants and miscellaneous revenues accounted for another 36%.

Business-Type Activities

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

- Food service expenses exceeded revenues by \$28,829.
- Aftercare revenues exceeded expenses by \$44,101.
- Charges for services represent \$532,310 of revenue. This represents amount paid by patrons for daily services.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities were \$165,547.

Governmental Activities

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

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

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

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

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

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

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

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

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

Other includes unallocated depreciation and amortization.

The School Board's Funds

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

As the School Board completed the fiscal year ended June 30, 2019, it reported a combined net position balance of \$(1,998,562). The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

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

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

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

Capital Assets

At June 30, 2019, the School Board had approximately \$8,832,673 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2019 fiscal year.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Table II		
Capital Assets at June 30, 2019		
Land	\$ 2	
Sites	893,304	
Buildings	7,746,206	
Machinery and Equipment	<u>184,541</u>	<u>8,620</u>
Total	<u>\$ 8,824,053</u>	<u>8,620</u>

Debt Administration

At June 30, 2019, the School District had \$15,494,899 as outstanding debt. Of this amount \$1,080,866 is for compensated absences, \$4,264,033 is for pension liability and the balance of \$10,150,000 is for bonds for school construction.

Economic Factors and Next Year's Budget

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

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

The \$(2,223,861) in unrestricted net position for all governmental activities represents the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's noncurrent liabilities such as compensated absences, the School Board would have a balance of \$(2,223,861).

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Vincent A. Gonnella, School Business Administrator/Board Secretary at Kenilworth Board of Education, 426 Boulevard, Kenilworth, NJ 07033.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

KENILWORTH SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit A-1

JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 85,522	247,355	332,877
Receivables, Net	163,541	8,045	171,586
Inventory		3,474	3,474
Restricted Assets:			
Cash and Cash Equivalents	2,017,030		2,017,030
Capital Reserve Account - Cash	2,601,023		2,601,023
Capital Assets Not Depreciated	2		2
Capital Assets, Net	8,824,051	8,620	8,832,671
Total Assets	<u>13,691,169</u>	<u>267,494</u>	<u>13,958,663</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>1,361,306</u>		<u>1,361,306</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>1,446,996</u>		<u>1,446,996</u>
<u>Liabilities</u>			
Deferred Revenue	11,795	4,844	16,639
Accounts Payable	137,365	37,351	174,716
Accrued Interest	185,281		185,281
Noncurrent Liabilities:			
Due Within One Year	845,000		845,000
Due Beyond One Year	14,649,899		14,649,899
Total Liabilities	<u>15,829,340</u>	<u>42,195</u>	<u>15,871,535</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	7,809,053	8,620	7,817,673
Restricted For:			
Other Purposes	4,779,566		4,779,566
Unrestricted	<u>(14,812,480)</u>	<u>216,679</u>	<u>(14,595,801)</u>
Total Net Position	<u>\$ (2,223,861)</u>	<u>225,299</u>	<u>(1,998,562)</u>

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

KENILWORTH SCHOOL DISTRICT

Exhibit A-2
Sheet 1 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 8,657,294			(8,657,294)		(8,657,294)
Special Education	3,054,278		556,803	(2,497,475)		(2,497,475)
Other Instruction	1,153,566			(1,153,566)		(1,153,566)
Support Services:						
Tuition	1,701,486	486,093		(1,215,393)		(1,215,393)
Student & Instruction Related Services	2,972,560		112,066	(2,860,494)		(2,860,494)
School Administrative Services	704,742			(704,742)		(704,742)
General and Business Administrative Services	1,006,865			(1,006,865)		(1,006,865)
Technology Information Services	150,356			(150,356)		(150,356)
Plant Operations and Maintenance	1,891,810			(1,891,810)		(1,891,810)
Pupil Transportation	842,707			(842,707)		(842,707)
Unallocated Benefits	8,370,281			(8,370,281)		(8,370,281)
Special Schools	38,845			(38,845)		(38,845)
Capital Outlay	481,776			(481,776)		(481,776)
Interest on Long-Term Debt	423,624			(423,624)		(423,624)
Unallocated Depreciation	616,371			(616,371)		(616,371)
Total Government Activities	32,066,561	486,093	668,869	(30,911,599)	-	(30,911,599)
Business-Type Activities:						
Aftercare Program	188,527	231,309			42,782	42,782
Food Service	495,377	301,001	165,547		(28,829)	(28,829)
Total Business-Type Activities	683,904	532,310	165,547	-	13,953	13,953
Total Primary Government	32,750,465	1,018,403	834,416	(30,911,599)	13,953	(30,897,646)

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

KENILWORTH SCHOOL DISTRICT

Exhibit A-2

Sheet 2 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2019

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	\$ 19,729,297		19,729,297
Taxes Levied for Debt Service	786,818		786,818
Federal and State Aid Not Restricted	11,021,497		11,021,497
Miscellaneous Income	317,889	1,319	319,208
Adjustment to Fund Balance	255,605		255,605
Total General Revenues	<u>32,111,106</u>	<u>1,319</u>	<u>32,112,425</u>
 Change in Net Position	1,199,507	15,272	1,214,779
 Net Position - Beginning	<u>(3,423,368)</u>	<u>210,027</u>	<u>(3,213,341)</u>
 Net Position - Ending	<u>\$ (2,223,861)</u>	<u>225,299</u>	<u>(1,998,562)</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,675,998	27,576	1	4,703,575
Receivables from Other Governments	159,700	3,841		163,541
Total Assets	<u>\$ 4,835,698</u>	<u>31,417</u>	<u>1</u>	<u>4,867,116</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts Payable	\$ 117,743	19,622		137,365
Deferred Revenue		11,795		11,795
Total Liabilities	<u>117,743</u>	<u>31,417</u>	<u>-</u>	<u>149,160</u>
Fund Balance:				
Restricted for:				
Maintenance Reserve	500,000			500,000
Emergency Reserve	250,000			250,000
Capital Reserve Account	2,601,023			2,601,023
Committed To:				
Other Purposes	189,090			189,090
Assigned To:				
Designated by the BOE for Subsequent Year's Expenditures	1,239,453			1,239,453
Unassigned:				
Debt Service			1	1
General Fund	(61,611)			(61,611)
Total Fund Balances	<u>4,717,955</u>	<u>-</u>	<u>1</u>	<u>4,717,956</u>
Total Liabilities and Fund Balance	<u>\$ 4,835,698</u>	<u>31,417</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 \$21,222,371 and the accumulated depreciation is \$12,398,318.	8,824,053
Deferred outflow of resources - contributions to the pension plan	1,361,306
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(1,446,996)
Accrued Interest	(185,281)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	<u>(15,494,899)</u>
Net position of governmental activities	<u>\$ (2,223,861)</u>

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

KENILWORTH SCHOOL DISTRICT

**Exhibit B-2
Sheet 1 of 2**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Local Sources:				
Local Tax Levy	\$ 19,729,297		786,818	20,516,115
Tuition Charges	486,093			486,093
Miscellaneous	317,889	18,536		336,425
Total Local Sources	20,533,279	18,536	786,818	21,338,633
State Sources	10,594,843	105,623	407,592	11,108,058
Federal Sources	19,062	544,710		563,772
Total Revenues	31,147,184	668,869	1,194,410	33,010,463
<u>Expenditures</u>				
Current:				
Regular Instruction	8,658,743			8,658,743
Special Education Instruction	2,497,475	556,803		3,054,278
Other Instruction	1,153,566			1,153,566
Support Services and Undistributed Costs:				
Tuition	1,701,486			1,701,486
Student and Instruction Related Services	2,860,494	112,066		2,972,560
School Administrative Services	704,742			704,742
Other Administrative Services	1,006,865			1,006,865
Technology Information Services	150,356			150,356
Plant Operations and Maintenance	1,891,810			1,891,810
Pupil Transportation	842,707			842,707
Unallocated Benefits	8,310,331			8,310,331
Special Schools	38,845			38,845
Capital Outlay	481,776			481,776
Debt Service:				
Principal			800,000	800,000
Interest and Other Charges			438,612	438,612
Total Expenditures	30,299,196	668,869	1,238,612	32,206,677

KENILWORTH SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>847,988</u>	<u>-</u>	<u>(44,202)</u>	<u>803,786</u>
Other Financing Sources (Uses): Adjustment to Fund Balance	<u>255,605</u>	<u>-</u>	<u>-</u>	<u>255,605</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>1,103,593</u>	<u>-</u>	<u>(44,202)</u>	<u>1,059,391</u>
Net Change in Fund Balances	<u>1,103,593</u>	<u>-</u>	<u>(44,202)</u>	<u>1,059,391</u>
Fund Balance - July 1	<u>3,614,362</u>	<u>-</u>	<u>44,203</u>	<u>3,658,565</u>
Fund Balance - June 30	<u>\$ 4,717,955</u>	<u>-</u>	<u>1</u>	<u>4,717,956</u>

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

KENILWORTH SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Exhibit B-3

JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 1,059,391
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(616,371)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	
	800,000
In the statement of activities certain operating activities are measured by the amount earned while in the government funds. Expenses are reported in the amount of financial resources used.	
Compensated Absences	1,449
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	
	(148,618)
Pension related deferrals	(446,972)
Change in net pension liability	535,640
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	
	<u>14,988</u>
Change in Net Position of Governmental Activities	<u>\$ 1,199,507</u>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Funds</u>
<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 247,355
Accounts Receivable:	
State	236
Federal	7,809
Inventory	3,474
Total Current Assets	<u>258,874</u>
Noncurrent Assets:	
Equipment	177,050
Accumulated Depreciation	<u>(168,430)</u>
Total Fixed Assets	<u>8,620</u>
Total Assets	<u>\$ 267,494</u>
<u>Liabilities:</u>	
Accounts Payable	\$ 37,351
Deferred Revenue	<u>4,844</u>
Total Liabilities	<u>\$ 42,195</u>
<u>Net Position:</u>	
Investment in Capital Assets	\$ 8,620
Unrestricted	<u>216,679</u>
Total Net Position	<u>\$ 225,299</u>

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

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

Exhibit B-5

PROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Fund</u>
Operating Revenues:	
Daily Sales - Reimbursable Programs	\$ 175,574
Daily Sales - Non-Reimbursable Programs	125,427
Fees	231,309
Total Operating Revenues	<u>532,310</u>
Operating Expenses:	
Salaries	364,917
Other Employee Benefits	42,260
Cost of Sales - Reimbursable Programs	126,554
Cost of Sales - Non-Reimbursable Programs	68,355
Supplies and Materials	17,876
Management Fee	8,454
Repairs/Equipment	42,770
Depreciation	3,980
Miscellaneous	8,738
Operating Expenses	<u>683,904</u>
Operating Gain/(Loss)	(151,594)
Non-Operating Revenues:	
Interest Revenue	1,319
State Sources:	
State School Lunch Program	4,032
Federal Sources:	
National School Lunch Program	118,809
Federal HHFKA Lunch Program	4,642
Federal Breakfast Program	9,413
Food Distribution Program	28,651
Total Non-Operating Revenues	<u>166,866</u>
Change in Net Position	15,272
Net Position, July 1	<u>210,027</u>
Net Position, June 30	<u>\$ 225,299</u>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 532,310
Payments to Employees	(364,917)
Payments to Suppliers	(244,378)
Net Cash Provided (Used) by Operating Activities	<u>(76,985)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	4,032
Federal Sources	132,864
Net Cash Provided by Noncapital Financing Activities	<u>136,896</u>
Cash Flows from Investing Activities:	
Interest Revenue	1,319
Net Cash Provided by Investing Activities	<u>1,319</u>
Net Increase (Decrease) in Cash and Cash Equivalents	61,230
Cash and Cash Equivalents, July 1	<u>186,125</u>
Cash and Cash Equivalents, June 30	<u>\$ 247,355</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (151,594)
Depreciation	3,980
Federal Commodities Consumed	28,651
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities	
Decrease/(Increase) in Accounts Receivables	2,832
(Decrease)/Increase in Accounts Payable	19,351
(Decrease)/Increase in Deferred Revenue	250
Decrease/(Increase) in Inventory	19,545
Net Cash Provided (Used) by Operating Activities	<u>\$ (76,985)</u>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
Assets:		
Cash and Cash Equivalents	\$ 482,189	172,480
Total Assets	<u>\$ 482,189</u>	<u>172,480</u>
Net Position:		
Reserved - Scholarships	\$ -	172,480
Reserved - Unemployment Benefits	<u>482,189</u>	
Total Net Position	<u>\$ 482,189</u>	<u>172,480</u>

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

KENILWORTH SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
<u>Additions</u>		
Contributions:		
Other	\$ 39,633	-
Total Contributions	<u>39,633</u>	<u>-</u>
Investment Earnings:		
Interest	6,764	2,463
Net Investment Earnings	<u>6,764</u>	<u>2,463</u>
Total Additions	<u>46,397</u>	<u>2,463</u>
<u>Deductions</u>		
Unemployment Claims	41,473	
Scholarships Awarded		1,500
Total Deductions	<u>41,473</u>	<u>1,500</u>
Change in Net Position	4,924	963
Net Position - Beginning of Year	<u>477,265</u>	<u>171,517</u>
Net Position - End of the Year	<u>\$ 482,189</u>	<u>172,480</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
KENILWORTH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Kenilworth School District is a Type II district located in the County of Union, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades PreK-12. The Kenilworth School District had an approximate enrollment at June 30, 2019 of 1,445 students.

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

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

B. Government-Wide Financial Statements

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting:

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

Governmental Fund Types

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

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

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Fund Type

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

Fiduciary Fund Types

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types (Continued)

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2019 were insignificant.

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**F. Encumbrances:**

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

I. Capital Assets and Depreciation

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

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

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

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

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

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

	Balance July 1, 2018	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2019
Governmental Activities:				
Land	\$ 2	_____	_____	2
Total	<u>2</u>	_____	_____	<u>2</u>
Depreciable Assets:				
Site Improvements	2,835,677	_____	_____	2,835,677
Buildings & Sites	17,103,102	_____	_____	17,103,102
Equipment	<u>1,283,590</u>	_____	_____	<u>1,283,590</u>
Total	<u>21,222,369</u>	_____	_____	<u>21,222,369</u>
Less: Accumulated Depreciation:				
Sites Improvements	(1,829,551)	(112,822)	_____	(1,942,373)
Buildings	(8,892,002)	(464,894)	_____	(9,356,896)
Equipment	<u>(1,060,394)</u>	<u>(38,655)</u>	_____	<u>(1,099,049)</u>
Total Accumulated Depreciation	<u>(11,781,947)</u>	<u>(616,371)</u>	_____	<u>(12,398,318)</u>
Net Depreciable Assets	<u>9,440,422</u>	<u>(616,371)</u>	_____	<u>8,824,051</u>
Governmental Activities Capital Assets (Net)	<u>\$ 9,440,424</u>	<u>(616,371)</u>	_____	<u>8,824,053</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-Type Activities:				
Equipment	\$ 177,050			177,050
Less: Accumulated Depreciation:				
Equipment	<u>(164,450)</u>	<u>(3,980)</u>	<u> </u>	<u>(168,430)</u>
Business-Type Capital Assets (Net)	<u>\$ 12,600</u>	<u>(3,980)</u>	<u> </u>	<u>8,620</u>

Depreciation expense was charged to governmental functions as follow:

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

J. Compensated Absences

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

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

K. Deferred Revenue

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

L. Fund Equity

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Net Position

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

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

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

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

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

Fund Balance

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Net Position (Continued)

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

Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

NOTE 2: Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

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

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

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

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

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

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

Investments

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

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

As of June 30, 2019, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash
	<u>Equivalents</u>
Checking and Money Market Accounts	<u>\$ 6,025,299</u>

The carrying amount of the District's cash and cash equivalents at June 30, 2019 was \$6,025,299 and the bank balance was \$7,244,792. Of the bank balance, \$250,000 was covered by federal depository insurance; \$6,994,792 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

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

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Insured:		
FDIC	\$ 250,000	250,000
GUDPA	6,994,792	5,901,415

As of June 30, 2019, the District did not hold any long-term investments.

Custodial Credit Risk – Deposits

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

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u>		<u>Balance</u>	<u>Long-Term</u>	<u>Amount</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>June 30, 2019</u>	<u>Portion</u>	<u>Due</u>
					<u>In one Year</u>
Pension Liability	\$ 4,799,673		4,264,033	4,264,033	
Compensated Absences Payable	1,082,315		1,080,866	1,080,866	
Bonds Payable	<u>10,950,000</u>	<u>(800,000)</u>	<u>10,150,000</u>	<u>9,305,000</u>	<u>845,000</u>
	<u>\$ 16,831,988</u>	<u>(1,337,089)</u>	<u>15,494,899</u>	<u>14,649,899</u>	<u>845,000</u>

A. Bonds Payable

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

Refunding Bonds issued September 29, 2003 for \$410,000 for ERIP funding maturing October 1, 2020 with a balance of \$70,000 at June 30, 2019 with a 5.50% interest rate.

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

Bonds issued February 25, 2009 for \$13,900,000 for renovations maturing January 15, 2029 with a balance of \$810,000 at June 30, 2019 with interest rates from 3.00% to 4.00%

Refunding Bonds issued May 18, 2016 for \$9,395,000 to partially refund the February 25, 2009 maturing January 15, 2029 with a balance of \$9,270,000 at June 30, 2019 with interest rates ranging from 3.00% to 4.00%.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 845,000	406,087	1,251,087
2021	840,000	371,763	1,211,763
2022	905,000	338,600	1,243,600
2023	950,000	302,400	1,252,400
2024	990,000	264,400	1,254,400
2025-2029	<u>5,620,000</u>	<u>692,200</u>	<u>6,312,200</u>
	<u>\$ 10,150,000</u>	<u>2,375,450</u>	<u>12,525,450</u>

NOTE 4: Pension Plans

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

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

NOTE 4: Pension Plans (Continued)

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

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

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

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

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

NOTE 4: Pension Plans (Continued)

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

During the year ended June 30, 2019, the State of New Jersey contributed \$3,350,505 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$922,182 during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for PERS

Year	Annual	Percentage	Net
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/19	\$ 236,859	100%	0
6/30/18	193,023	100%	0
6/30/17	177,657	100%	\$ 0

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

Year	Annual	Percentage	Net
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/19	\$ 3,350,505	100%	0
6/30/18	2,732,369	100%	0
6/30/17	2,110,704	100%	0

NOTE 4: Pension Plans (Continued)**Public Employees' Retirement System (PERS)****Plan Description**

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

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

The following represents the membership tiers for PERS:

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

Basis of Presentation

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

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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

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

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

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

NOTE 4: Pension Plans (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$236,859. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 81,316	21,987
Changes of Assumptions	702,642	1,363,411
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		39,997
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	340,489	21,601
District Contributions Subsequent to the Measurement Date	<u>236,859</u>	<u> </u>
Total	<u>\$ 1,361,306</u>	<u>1,446,996</u>

\$236,859 reported as deferred outflows of resources related to pensions resulting from school district, project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending**June 30,**

2019	\$ 29,600
2020	(40,981)
2021	(293,867)
2022	(254,728)
2023	<u>(81,568)</u>
	<u>\$ (641,544)</u>

Additional Information

Collective balances at December 31, 2018 and 2017 are as follows:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Collective Deferred Outflows of Resources	\$ 1,361,306	1,509,924
Collective Deferred Inflows of Resources	1,446,996	1,000,024
Collective Net Pension Liability	4,264,033	4,799,673
District's Proportion	.02166%	.02062%

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

The components of the collective net pension liability of the participating employers as of June 30, 2018 were as follows:

	2018		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 30,434,600,657	42,431,573,511	72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
Net Pension Liability	<u>\$ 23,704,298,093</u>	<u>19,689,501,539</u>	<u>43,393,799,632</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.11%	53.60%	40.45%

The collective 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:

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 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%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: Pension Plans (Continued)**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
School District's Proportionate Share Of the Net Pension Liability	<u>\$ 5,361,530</u>	<u>4,264,033</u>	<u>3,343,303</u>

Teachers Pensions and Annuity Fund (TPAF)**Plan Description**

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

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

The following represents the membership tiers for TPAF:

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

NOTE 4: Pension Plans (Continued)

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

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation had modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, State's pension contribution was less than the actuarial determined amount.

NOTE 4: Pension Plans (Continued)**Special Funding Situation**

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

Components of Net Pension Liability

The components of the net pension liability of the State as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 86,797,467,286	90,726,371,000
Plan Fiduciary Net Position	<u>22,991,116,840</u>	<u>23,056,161,829</u>
Net Pension Liability	<u>\$ 63,806,350,446</u>	<u>67,670,209,171</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2018</u>	<u>2017</u>
District's Liability	<u>\$ 69,925,955</u>	<u>68,893,455</u>
District's Proportion	.10959%	.10181%

NOTE 4: Pension Plans (Continued)

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%

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 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%

NOTE 4: Pension Plans (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2018		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
School District's Proportionate Share Of the Net Pension Liability	\$ 0	0	0
State of New Jersey's Proportionate Share Of the Net Pension Liability	<u>82,651,151</u>	<u>69,925,955</u>	<u>59,377,078</u>
	<u>\$82,651,151</u>	<u>69,925,955</u>	<u>59,377,078</u>

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

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

NOTE 5: Post-Retirement Benefits (Continued)

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State’s pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State’s contribution to fund pay-as-you-go PRM costs.

In accordance with the provision of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year’s \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Total OPEB Liability

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

NOTE 5: Post-Retirement Benefits (Continued)

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>TPAF</u>	<u>PERS</u>
Salary Increases:			
Through 2026	1.55 – 4.55%	2.15% - 4.15% based on age	2.10% - 8.98% based on age
Thereafter	2.00 – 5.45%	3.15% - 5.15% based on age	3.10% - 9.98% based on age

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 Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2011 – June 30, 2014, and July 1, 2010 – June 30, 2013 for TPAF, PERS and PFRS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 5: Post-Retirement Benefits (Continued)

Changes in the State of New Jersey's proportionate share of the total Non-Employer OPEB Liability associated with the School District:

	Total OPEB Liability
Balances at June 30, 2017	\$ 40,893,987
Changes for the Year:	
Service Cost	1,836,965
Interest	1,513,400
Difference Between Expected and Actual Experience	(3,485,797)
Changes in Assumptions or Other Inputs	(4,100,797)
Benefit Payments	(955,547)
Member Contributions	<u>33,025</u>
Balance at June 30, 2018	<u>\$ 35,735,236</u>

There were no changes in benefit terms between the June 30, 2017 measurement date and the June 30, 2018 measurement date.

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.

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

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
State of New Jersey's Proportionate Share Of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 42,246,323</u>	<u>35,735,236</u>	<u>30,559,594</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that 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
State of New Jersey's Proportionate Share Of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 29,537,254</u>	<u>35,735,236</u>	<u>43,932,305</u>

NOTE 5: Post-Retirement Benefits (Continued)

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the Board of Education recognized OPEB expense of \$2,036,739 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Kenilworth Board of Education proportionate share of school retirees OPEB is zero; there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$	3,486,903
Changes in Proportion	736,016	
Changes of Assumptions or Other Inputs	<u> </u>	<u>8,010,236</u>
Total	<u>\$ 736,016</u>	<u>11,497,139</u>

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

Year Ended June 30:	
2020	\$ (1,266,014)
2021	(1,266,014)
2022	(1,266,014)
2023	(1,266,014)
2024	(1,266,014)
Thereafter	<u>(4,431,053)</u>
	<u>\$ (10,761,123)</u>

NOTE 6: Compensated Absences

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

NOTE 6: Compensated Absences (Continued)

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

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

The liability for vested compensated absences as of June 30, 2019, was \$1,080,866.

NOTE 7: Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 2,338,449
Appropriated in 2018-2019 Budget	(150,000)
Increase Per Board Resolution	<u>412,574</u>
Ending Balance, June 30, 2019	<u>\$ 2,601,023</u>

NOTE 8: Inventory

Inventory in the Food Service Fund at June 30, 2019 consisted of the following:

Food	\$ 1,879
Supplies	<u>1,595</u>
	<u>\$ 3,474</u>

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

NOTE 9: Fund Balance Appropriated

General Fund – Of the \$5,350,764 General Fund fund balance at June 30, 2019, \$189,090 is reserved for encumbrances; \$2,601,023 has been placed in the capital reserve; \$250,000 is in emergency reserve; \$500,000 is in maintenance reserve; \$1,239,453 is designated for subsequent year's expenditures capital reserve; and \$571,198 is unreserved and undesignated.

NOTE 10: Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget.

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

2018-19 Total General Fund Expenditures Per the CAFR	\$ 30,299,196
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(4,275,821)</u>
Adjusted 2018-19 General Fund Expenditures	<u>\$ 26,023,375</u>
2% of Adjusted 2018-19 General Fund Expenditures	\$ 520,468
Increased by Allowable Adjustments	<u>50,730</u>
Maximum Unassigned Fund Balance	<u>\$ 571,198</u>

NOTE 11: Equity Balance (Continued)**Section 2**

Total General Fund – Fund Balance @ 6-30-19	\$ 5,350,764
Decreased by:	
Reserved for Encumbrances	(189,090)
Other Reserves	(3,351,023)
Designated for Subsequent Years Expenditures	<u>(1,239,453)</u>
Total Unassigned Fund Balance	<u>\$ 571,198</u>
Designated for Subsequent Years Expenditures – Excess Surplus	\$ 0
Reserved Fund Balance – Excess Surplus	<u> </u>
	<u>\$ 0</u>

Section 3**Detail of Allowable Adjustments**

Extraordinary Aid	<u>\$ 50,730</u>
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Detail of Other Reserved Fund Balance

Capital Reserve	\$ 2,601,023
Maintenance Reserve	500,000
Emergency Reserve	<u>250,000</u>
	<u>\$ 3,351,023</u>

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget. Designated for subsequent year's represents the amount appropriated in the 2019-2020 budget.

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

NOTE 12: Contingent Liabilities

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

NOTE 13: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2019 financial statements.

NOTE 14: Economic Dependency

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

NOTE 15: Risk Management

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

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2018-2019	\$ 0	46,397	41,473	482,189
2017-2018	0	49,698	30,465	477,265
2016-2017	0	41,247	33,802	458,032

NOTE 16: General Fund Emergency Reserve Account

The reserve account is to be used to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonable unforeseeable. The emergency reserve balance may not exceed \$250,000 or 1% of the District's general fund budget up to a maximum of \$100,000 whichever is greater. Withdrawals require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health costs greater than four percent. Kenilworth maintained an emergency reserve on June 30, 2019 of \$250,000.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

KENILWORTH SCHOOL DISTRICT

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 20,115,136		20,115,136	19,729,297	(385,839)
Tuition	362,920		362,920	486,093	123,173
Miscellaneous	178,999		178,999	317,889	138,890
Total Local Sources	<u>20,657,055</u>	<u>-</u>	<u>20,657,055</u>	<u>20,533,279</u>	<u>(123,776)</u>
State Sources:					
School Choice Aid	2,311,520		2,311,520	2,311,520	-
Special Education Aid	821,279		821,279	1,218,446	397,167
Extraordinary Aid	64,000		64,000	114,730	50,730
Equalization Aid	1,482,580		1,482,580	2,455,648	973,068
Security Aid	198,847		198,847	214,451	15,604
Transportation Aid	173,781		173,781	173,781	-
TPAF Pension Contribution (On-Behalf)			-	3,350,505	3,350,505
TPAF Social Security Contribution (Reimbursed)			-	925,316	925,316
Total State Sources	<u>5,052,007</u>	<u>-</u>	<u>5,052,007</u>	<u>10,764,397</u>	<u>5,712,390</u>
Federal Sources:					
Medical Assistance Program (Semi)	<u>22,325</u>		<u>22,325</u>	<u>19,062</u>	<u>(3,263)</u>
Total Revenues	<u>25,731,387</u>	<u>-</u>	<u>25,731,387</u>	<u>31,316,738</u>	<u>5,585,351</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Distributed Expenditures:					
Regular Programs - Instruction:					
Pre-Kindergarten - Salaries of Teachers	104,161	22,316	126,477	126,477	-
Kindergarten - Salaries of Teachers	330,743	6,580	337,323	337,323	-
Grades 1-5 - Salaries of Teachers	2,483,546	(32,372)	2,451,174	2,451,173	1
Grades 6-8 - Salaries of Teachers	2,003,567	(33,677)	1,969,890	1,969,890	-
Grades 9-12 - Salaries of Teachers	2,549,966	191,852	2,741,818	2,724,937	16,881
Subtotal	<u>7,471,983</u>	<u>154,699</u>	<u>7,626,682</u>	<u>7,609,800</u>	<u>16,882</u>
Regular Programs - Other:					
Salaries of Teachers	97,188	(410)	96,778	96,777	1
Subtotal	<u>97,188</u>	<u>(410)</u>	<u>96,778</u>	<u>96,777</u>	<u>1</u>
Regular Programs - Undistributed Instruction:					
Other Instructional Salaries	330,647	104,714	435,361	427,148	8,213
Purchased Professional Educational Services	127,327	(77,683)	49,644	49,643	1
Other Purchased Services	24,289	7,217	31,506	30,888	618
General Supplies	311,709	48,524	360,233	351,277	8,956
Textbooks	63,840	27,550	91,390	91,389	1
Other Objects	1,917	(96)	1,821	1,821	-
Subtotal	<u>859,729</u>	<u>110,226</u>	<u>969,955</u>	<u>952,166</u>	<u>17,789</u>
Total Regular Programs - Instruction	<u>8,428,900</u>	<u>264,515</u>	<u>8,693,415</u>	<u>8,658,743</u>	<u>34,672</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 3 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Special Education Instruction:					
Learning & Language Disabilities:					
Salaries of Teachers	161,058	940	161,998	161,996	2
Other Salaries for Instruction	106,590	25,678	132,268	132,267	1
General Supplies	400	(9)	391	390	1
Total Learning and Language Disabilities	<u>268,048</u>	<u>26,609</u>	<u>294,657</u>	<u>294,653</u>	<u>4</u>
Multiple Disabilities					
Other Salaries for Instruction	22,679	(22,679)	-		-
General Supplies	3,255	(851)	2,404	2,403	1
Total Multiple Disabilities	<u>25,934</u>	<u>(23,530)</u>	<u>2,404</u>	<u>2,403</u>	<u>1</u>
Resource Room/Center:					
Salaries of Teachers	1,667,475	(14,064)	1,653,411	1,653,411	-
Other Salaries for Instruction	384,404	33,351	417,755	417,755	-
General Supplies	3,322	(39)	3,283	3,282	1
Total Resource Room/Center	<u>2,055,201</u>	<u>19,248</u>	<u>2,074,449</u>	<u>2,074,448</u>	<u>1</u>
Pre-School Disabilities - Part-Time					
Salaries of Teachers	76,380	2,712	79,092	79,091	1
Other Salaries for Instruction	61,233	(14,753)	46,480	46,480	-
General Supplies	411	(11)	400	400	-
Total Pre-School Handicapped	<u>138,024</u>	<u>(12,052)</u>	<u>125,972</u>	<u>125,971</u>	<u>1</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 4 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Special Education - Instruction	<u>2,487,207</u>	<u>10,275</u>	<u>2,497,482</u>	<u>2,497,475</u>	<u>7</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	475,110	24,500	499,610	499,609	1
General Supplies	<u>2,218</u>	<u>(108)</u>	<u>2,110</u>	<u>2,109</u>	<u>1</u>
Total Basic Skills/Remedial - Instruction	<u>477,328</u>	<u>24,392</u>	<u>501,720</u>	<u>501,718</u>	<u>2</u>
Bilingual Education - Instruction:					
Salaries of Teachers	140,875	3,853	144,728	144,727	1
General Supplies	<u>1,050</u>	<u>680</u>	<u>1,730</u>	<u>1,493</u>	<u>237</u>
Total Bilingual Education - Instruction	<u>141,925</u>	<u>4,533</u>	<u>146,458</u>	<u>146,220</u>	<u>238</u>
School Sponsored Co-Curricular Activities - Instruction					
Salaries	146,220	(8,932)	137,288	137,288	-
Supplies	31,058	(1,967)	29,091	26,122	2,969
Other Objects	<u>3,487</u>	<u>726</u>	<u>4,213</u>	<u>3,087</u>	<u>1,126</u>
Total School Sponsored Co-Curricular Activities	<u>180,765</u>	<u>(10,173)</u>	<u>170,592</u>	<u>166,497</u>	<u>4,095</u>
School Sponsored Athletics - Instruction					
Salaries	259,174	(7,925)	251,249	251,249	-
Purchased Services	59,638	(9,109)	50,529	36,849	13,680
Supplies and Materials	30,873	9,729	40,602	40,197	405
Other Objects	<u>14,055</u>	<u>(620)</u>	<u>13,435</u>	<u>10,836</u>	<u>2,599</u>
Total School Sponsored Athletics - Instruction	<u>363,740</u>	<u>(7,925)</u>	<u>355,815</u>	<u>339,131</u>	<u>16,684</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Distributed Expenditures	<u>12,079,865</u>	<u>285,617</u>	<u>12,365,482</u>	<u>12,309,784</u>	<u>55,698</u>
Undistributed Expenditures:					
Instruction:					
Tuition to County Vocational School:					
Regular	586,000	(27,680)	558,320	554,909	3,411
Special	24,000	6,000	30,000	30,000	-
Tuition - County Special Services & Reg Day Schools	356,716	70,815	427,531	377,263	50,268
Tuition to Private School for Handicapped - Within State	805,250	(70,815)	734,435	703,067	31,368
Tuition-State Facilities	36,247		36,247	36,247	-
Total Instruction	<u>1,808,213</u>	<u>(21,680)</u>	<u>1,786,533</u>	<u>1,701,486</u>	<u>85,047</u>
Attendance & Social Work:					
Purchased Technical Services	23,275	6,500	29,775	27,614	2,161
Total Attendance & Social Work	<u>23,275</u>	<u>6,500</u>	<u>29,775</u>	<u>27,614</u>	<u>2,161</u>
Health Services:					
Salaries	141,169	2,559	143,728	143,726	2
Purchased Professional/Technical Services	18,750	289	19,039	18,897	142
Supplies and Materials	3,464	7,172	10,636	10,623	13
Total Health Services	<u>163,383</u>	<u>10,020</u>	<u>173,403</u>	<u>173,246</u>	<u>157</u>
Other Student Support Services - Related Services:					
Salaries	410,756	(25,875)	384,881	384,880	1
Purchased Professional/Technical Services	62,612	48,092	110,704	75,728	34,976
Supplies and Materials	2,878	12	2,890	2,449	441
Total Other Student Support Services - Related Services	<u>476,246</u>	<u>22,229</u>	<u>498,475</u>	<u>463,057</u>	<u>35,418</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 6 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Student - Regular:					
Salaries of Other Professional Staff	485,379	2,280	487,659	487,657	2
Salaries of Secretarial & Clerical	55,295	6,662	61,957	61,957	-
Purchased Professional/Educational Services	9,304		9,304	7,129	2,175
Other Purchased Professional/Technical Services	43,175		43,175	39,084	4,091
Other Purchased Services	322		322	322	-
Supplies and Materials	4,725	(204)	4,521	3,644	877
Other Objects	665		665	625	40
Total Other Support Student - Regular	<u>598,865</u>	<u>8,738</u>	<u>607,603</u>	<u>600,418</u>	<u>7,185</u>
Other Support Student Services- Special:					
Salaries of Other Professional Staff	618,114	(2,449)	615,665	615,664	1
Salaries of Secretarial & Clerical	50,319	2,198	52,517	52,516	1
Purchased Professional Educational Services	11,354	1,498	12,852	12,851	1
Miscellaneous Purchased Services	5,229	4,400	9,629	9,629	-
Supplies and Materials	6,874	468	7,342	7,342	-
Total Other Support Student Services- Special	<u>691,890</u>	<u>6,115</u>	<u>698,005</u>	<u>698,002</u>	<u>3</u>
Improvement Instructional Services:					
Salaries of Supervisors of Instruction	514,342	10,137	524,479	522,979	1,500
Salaries of Other Professional Staff	15,267	1,290	16,557	14,203	2,354
Salaries of Secretarial & Clerical	49,286	6,550	55,836	55,835	1
Other Purchased Services	300	250	550	430	120
Supplies & Materials	500	55	555	477	78
Other Objects	5,450	(250)	5,200	5,115	85
Total Improvement Instructional Services	<u>585,145</u>	<u>18,032</u>	<u>603,177</u>	<u>599,039</u>	<u>4,138</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media/Library:					
Salaries	149,489	(43,116)	106,373	106,372	1
Salaries of Technology Coordinators	107,628		107,628	107,628	-
Other Purchased Services	193		193	193	-
Supplies & Materials	25,408		25,408	24,413	995
Total Educational Media/Library	282,718	(43,116)	239,602	238,606	996
Staff Training:					
Salaries of Supervisors of Instruction	55,209		55,209	55,209	-
Other Salaries for Instruction	10,560		10,560	206	10,354
Purchased Professional/Educational Serv.	3,830	834	4,664	4,664	-
Supplies & Materials	3,500	(3,000)	500	433	67
Other Objects	69		69	69	69
Total Staff Training	73,168	(2,166)	71,002	60,512	10,490
Support Services - General Administration:					
Salaries	233,517	62,318	295,835	295,834	1
Legal Services	65,000	72,299	137,299	135,778	1,521
Audit Fee	16,000	(500)	15,500	15,500	-
Other Purchased Professional Services	9,340	339	9,679	9,679	-
Purchased Technical Services	6,665	(136)	6,529	6,528	1
Communications/Telephone	40,500	(6,977)	33,523	33,522	1
BOE Other Purchased Services	25,678	(2,178)	23,500	23,500	-
Other Purchased Services	13,495	(4,572)	8,923	8,923	-
Liability Insurance	136,384	(12,526)	123,858	123,857	1
Supplies & Materials	1,700	8,905	10,605	10,605	-
BOE In House Training Supplies	2,200	674	2,874	2,874	-
Miscellaneous Expenditures	5,884	(681)	5,203	5,203	-
BOE Membership Dues and Fees	19,845	(8,661)	11,184	11,183	1
Total Support Services - General Administration	576,208	108,304	684,512	682,986	1,526

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Vice Principals	306,673	1	306,674	306,673	1
Salaries of Other Professional Staff	203,555		203,555	203,555	-
Salaries of Secretarial & Clerical	183,688	(4,716)	178,972	178,971	1
Other Purchased Services	1,333	(300)	1,033	1,033	-
Supplies & Materials	9,169	1,862	11,031	11,030	1
Other Objects	4,020	(540)	3,480	3,480	-
Total Support Services - School Administration	<u>708,438</u>	<u>(3,693)</u>	<u>704,745</u>	<u>704,742</u>	<u>3</u>
Technology Information Service:					
Salaries	85,672		85,672	85,672	-
Purchased Professional Services	36,600		36,600	22,950	13,650
Purchased Technical Services	39,110	(11,523)	27,587	26,409	1,178
Other Purchased Services	9,200		9,200	9,131	69
Supplies and Materials	11,550	(5,356)	6,194	6,194	-
Total Technology Information Service	<u>182,132</u>	<u>(16,879)</u>	<u>165,253</u>	<u>150,356</u>	<u>14,897</u>
Required Maintenance - Facilities:					
Cleaning, Repair & Maintenance Services	77,052	16,407	93,459	89,935	3,524
General Supplies	132,055	76,254	208,309	200,623	7,686
Other Objects	1,725	694	2,419	2,418	1
Total Allowable Maintenance Facilities	<u>210,832</u>	<u>93,355</u>	<u>304,187</u>	<u>292,976</u>	<u>11,211</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 9 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Operations & Maintenance:					
Salaries	452,292	(25,240)	427,052	427,050	2
Purchased Professional/Technical Serv.	426,000	55,875	481,875	481,874	1
Cleaning, Repair & Maintenance Services	35,800	11,514	47,314	47,311	3
Other Purchased Property Services	12,500	1,205	13,705	13,705	-
Insurance	51,229	(1,194)	50,035	50,034	1
General Supplies	35,250	(9,343)	25,907	25,906	1
Natural Gas	111,504	(1,037)	110,467	110,467	-
Energy (Heat & Electricity)	308,175	4,520	312,695	238,200	74,495
Other Objects		346	346	346	
Total Other Operations & Maintenance	<u>1,432,750</u>	<u>36,646</u>	<u>1,469,396</u>	<u>1,394,893</u>	<u>74,503</u>
Upkeep of Grounds:					
Salaries	50,836	2,855	53,691	53,691	-
Purchased Professional/Technical Serv.	25,500	(12,060)	13,440	13,438	2
Repair and Maintenance	7,500	38,521	46,021	13,685	32,336
Supplies	21,500	(5,939)	15,561	15,561	-
Total Upkeep of Grounds	<u>105,336</u>	<u>23,377</u>	<u>128,713</u>	<u>96,375</u>	<u>32,338</u>
Security					
Purchased Professional Technical Services		86,430	86,430	86,430	-
Supplies and Materials		21,136	21,136	21,136	-
Total Security	<u>-</u>	<u>107,566</u>	<u>107,566</u>	<u>107,566</u>	<u>-</u>
Total Operations & Maintenance	<u>1,748,918</u>	<u>260,944</u>	<u>2,009,862</u>	<u>1,891,810</u>	<u>118,052</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 10 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation:					
Contracted Services Other - Vendors	58,500	6,336	64,836	64,836	-
Contracted Services Special Ed. Joint Agreement	667,000	6,544	673,544	673,544	-
Contracted Services(Reg.Students) ESCs & CTSA's	115,000	(10,723)	104,277	104,277	-
Other Objects		50	50	50	
Total Student Transportation	<u>840,500</u>	<u>2,207</u>	<u>842,707</u>	<u>842,707</u>	<u>-</u>
Central Services:					
Salaries	294,358	328	294,686	294,686	-
Purchased Technical Services	20,240	(1,341)	18,899	14,825	4,074
Supplies & Materials	5,814	6,360	12,174	11,746	428
Miscellaneous Expenditures	3,034		3,034	2,622	412
Total Central Services	<u>323,446</u>	<u>5,347</u>	<u>328,793</u>	<u>323,879</u>	<u>4,914</u>
Undistributed Expenditures-Employee Benefits:					
Other Retirement Contrib. - Social Security	265,657	(2,207)	263,450	256,039	7,411
Other Retirement Contrib. - PERS	208,255	28,605	236,860	236,859	1
Other Retirement Contrib. - ERIP	21,000		21,000	18,518	2,482
Workman's Compensation	104,722		104,722	103,114	1,608
Health Benefits	3,588,160	(87,493)	3,500,667	3,206,015	294,652
Tuition Reimbursements	68,500	1,385	69,885	69,885	-
Other Employee Benefits	279,398	(115,776)	163,622	144,080	19,542
Total Unallocated Benefits	<u>4,535,692</u>	<u>(175,486)</u>	<u>4,360,206</u>	<u>4,034,510</u>	<u>325,696</u>
TPAF Pension Contribution (On-Behalf)			-	3,350,505	(3,350,505)
TPAF Social Security Contribution (Reimbursed)			-	925,316	(925,316)
Total Undistributed Expenditures	<u>13,618,237</u>	<u>185,416</u>	<u>13,803,653</u>	<u>17,468,791</u>	<u>(3,665,138)</u>
Total General Current Expense	<u>25,698,102</u>	<u>471,033</u>	<u>26,169,135</u>	<u>29,778,575</u>	<u>(3,609,440)</u>

KENILWORTH SCHOOL DISTRICT

Exhibit C-1
Sheet 11 of 12

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay					
Equipment-Support Services		3,198	3,198	3,197	1
Equipment-Plant Operation		49,302	49,302		49,302
Professional Services-Facility Construction		49,640	49,640	49,639	1
Equipment-Operation of Plant	425,000	3,940	428,940	428,940	-
Total Capital Outlay	<u>425,000</u>	<u>106,080</u>	<u>531,080</u>	<u>481,776</u>	<u>49,304</u>
Summer School					
Instruction:					
Salaries of Teachers	51,210		51,210	35,897	15,313
Total Instruction	<u>51,210</u>		<u>51,210</u>	<u>35,897</u>	<u>15,313</u>
Support Services:					
Salaries	2,975		2,975	2,948	27
Total Support Services	<u>2,975</u>	<u>-</u>	<u>2,975</u>	<u>2,948</u>	<u>27</u>
Total Summer School	<u>54,185</u>	<u>-</u>	<u>54,185</u>	<u>38,845</u>	<u>15,340</u>
Total Current Expense & Summer School	<u>26,177,287</u>	<u>577,113</u>	<u>26,754,400</u>	<u>30,299,196</u>	<u>(3,544,796)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(445,900)	(577,113)	(1,023,013)	1,017,542	2,040,555
Other Financing Sources (Uses):					
Adjustment to Fund Balance			-	255,605	255,605
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,605</u>	<u>255,605</u>
Total Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	(445,900)	(577,113)	(1,023,013)	1,273,147	2,296,160
Fund Balance July 1	<u>4,077,617</u>		<u>4,077,617</u>	<u>4,077,617</u>	
Fund Balance June 30	<u>\$ 3,631,717</u>	<u>(577,113)</u>	<u>3,054,604</u>	<u>5,350,764</u>	<u>2,296,160</u>

KENILWORTH SCHOOL DISTRICT

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 2,601,023	
Maintenance Reserve				500,000	
Emergency Reserve				250,000	
Committed Fund Balance:					
Year End Encumbrances				189,090	
Assigned Fund Balances:					
Designated for Subsequent Year's Expenditures				1,239,453	
Unassigned Fund Balance				<u>571,198</u>	
				5,350,764	
Reconciliation to Governmental Funds Statement (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(632,809)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 4,717,955</u>	

KENILWORTH SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
State Sources	\$ 141,000	(15,756)	125,244	105,623	19,622
Local Sources		18,536	18,536	18,536	
Federal Sources	465,000	109,638	574,638	556,505	18,133
Total Revenues	<u>\$ 606,000</u>	<u>112,418</u>	<u>718,418</u>	<u>680,664</u>	<u>37,755</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 103,000	(5,171)	97,829	97,829	
Purchased Professional and Technical Services	144,000	(40,656)	103,344	83,854	19,491
Tuition	300,000	(5,154)	294,846	294,846	
General Supplies	18,500	73,573	92,073	92,069	4
Total Instruction	<u>565,500</u>	<u>22,592</u>	<u>588,092</u>	<u>568,598</u>	<u>19,495</u>
Support Services:					
Salaries		7,000	7,000	7,000	
Personal Services - Employee Benefits	7,000	5,540	12,540	12,540	
Purchased Professional - Educational Services	29,000	55,464	84,464	66,335	18,129
Other Purchased Services	4,500	17,400	21,900	21,769	131
General Supplies		4,422	4,422	4,422	
Total Support Services	<u>40,500</u>	<u>89,826</u>	<u>130,326</u>	<u>112,066</u>	<u>18,260</u>
Total Expenditures	<u>\$ 606,000</u>	<u>112,418</u>	<u>718,418</u>	<u>680,664</u>	<u>37,755</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KENILWORTH SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit C-3

BUDGETARY COMPARISON SCHEDULE**NOTE TO RSI****FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 31,316,738	680,664
Difference - budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized		(11,795)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	463,255	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(632,809)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 31,147,184</u>	<u>668,869</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 30,299,196	680,664
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(11,795)</u>
Total Expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 30,299,196</u>	<u>668,869</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

KENILWORTH SCHOOL DISTRICT

Exhibit L-1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,264,033	4,799,673	5,898,051	4,456,012	3,572,190	3,743,058
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	-	-	-	-	-	-
Total	<u>\$ 4,264,033</u>	<u>4,799,673</u>	<u>5,898,051</u>	<u>4,456,012</u>	<u>3,572,190</u>	<u>3,743,058</u>
District's Covered-Employee Payroll	\$ 1,413,368	1,481,276	1,386,691	1,336,534	1,359,347	1,374,199
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	33.15%	30.86%	23.51%	29.99%	38.05%	36.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.45%	36.78%	31.20%	38.21%	42.74%	40.71%

KENILWORTH SCHOOL DISTRICT

Exhibit L-2

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 193,023	177,657	157,288	157,288	147,567	148,462
Contributions in Relation to the Contractually Required Contribution	<u>193,023</u>	<u>177,657</u>	<u>157,288</u>	<u>157,288</u>	<u>147,567</u>	<u>148,462</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 1,413,368	1,481,276	1,386,691	1,336,534	1,359,347	1,374,199
Contributions as a Percentage of Covered-Employee Payroll	13.66%	11.99%	11.34%	11.77%	10.86%	10.80%

KENILWORTH SCHOOL DISTRICT

Exhibit L-3

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>69,925,955</u>	<u>68,893,455</u>	<u>81,531,403</u>	<u>62,823,200</u>	<u>52,744,337</u>	<u>49,602,149</u>
Total	<u>\$69,925,955</u>	<u>68,893,455</u>	<u>81,531,403</u>	<u>62,823,200</u>	<u>52,744,337</u>	<u>49,602,149</u>
District's Covered-Employee Payroll	\$11,967,178	11,928,717	11,369,178	10,333,060	9,966,336	9,779,748
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	17.11%	17.31%	13.94%	16.45%	18.90%	19.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

Exhibit M-1

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>State's OPEB Liability Attributable to the District</u>			
Service Cost	\$ 1,836,965	2,223,210	*
Interest	1,513,400	1,304,585	*
Benefit Payments	(955,547)	(947,192)	*
Member Contributions	33,025	34,878	*
Difference between Expected and Actual Experience	(3,485,797)		*
Change of Assumptions	(4,100,797)	(5,726,145)	*
Net Change in Total OPEB Liability	<u>(5,158,751)</u>	<u>(3,110,664)</u>	*
Total Attributable OPEB Liability - Beginning	<u>40,893,987</u>	<u>44,004,651</u>	*
Total Attributable OPEB Liability - Ending	<u>\$ 35,735,236</u>	<u>40,893,987</u>	<u>44,004,651</u>
District's Covered Payroll	\$ 13,380,546	13,409,993	12,755,869
District's Contribution	None	None	None
State's Proportionate Share of OPEB Liability as a Percentage of the District's Covered-Employee Payroll	267.07%	304.95%	344.98%

* - Information not available

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

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

KENILWORTH SCHOOL DISTRICTNOTES TO REQUIRED SUPPLEMENTARY INFORMATIONFOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit M-2

Change of Benefit Terms

None

Changes of Assumptions

The Discount Rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

KENILWORTH SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Title I</u>	<u>Title IIA</u>	<u>Title III</u>	<u>Title III Immigrant</u>	<u>Title IV</u>	<u>I.D.E.A. Basic Flow-Thru</u>	<u>I.D.E.A. Pre-School</u>
Revenues:							
State Sources	\$ -						
Federal Sources	189,886	36,288	9,929	2,216	10,000	298,686	9,500
Local Sources							
Total Revenues	<u>\$ 189,886</u>	<u>36,288</u>	<u>9,929</u>	<u>2,216</u>	<u>10,000</u>	<u>298,686</u>	<u>9,500</u>
Expenditures:							
Instruction:							
Salaries of Teachers	\$ 91,806		6,023				
Purchased Professional and Technical Services							
Tuition						294,846	
General Supplies	67,962		3,206	2,216	5,395		
Total Instruction	<u>159,768</u>	<u>-</u>	<u>9,229</u>	<u>2,216</u>	<u>5,395</u>	<u>294,846</u>	<u>-</u>
Support Services:							
Salaries	7,000						
Employee Benefits	12,540						
Purchased Professional Educational Services	10,578	31,866	700		4,605	3,840	9,500
Other Purchased Services							
General Supplies		4,422					
Total Support Services	<u>30,118</u>	<u>36,288</u>	<u>700</u>		<u>4,605</u>	<u>3,840</u>	<u>9,500</u>
Total Expenditures	<u>\$ 189,886</u>	<u>36,288</u>	<u>9,929</u>	<u>2,216</u>	<u>10,000</u>	<u>298,686</u>	<u>9,500</u>

KENILWORTH SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Compensatory Education</u>	<u>Transportation</u>	<u>Supplementary Instruction</u>	<u>Examination and Classification</u>	<u>Corrective Speech</u>
Revenues:					
State Sources	34,940	7,162	9,040	7,467	2,857
Federal Sources					
Local Sources					
Total Revenues	<u>34,940</u>	<u>7,162</u>	<u>9,040</u>	<u>7,467</u>	<u>2,857</u>
Expenditures:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services	34,940	7,162	9,040	7,467	2,857
Tuition					
General Supplies					
Total Instruction	<u>34,940</u>	<u>7,162</u>	<u>9,040</u>	<u>7,467</u>	<u>2,857</u>
Support Services:					
Salaries					
Employee Benefits					
Purchased Professional Educational Services					
Other Purchased Services					
General Supplies					
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>34,940</u>	<u>7,162</u>	<u>9,040</u>	<u>7,467</u>	<u>2,857</u>

KENILWORTH SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Non-Public Security</u>	<u>Non-Public Technology</u>	<u>Non-Public Nursing Services</u>	<u>Non-Public Textbooks</u>	<u>Insurance Grant</u>	<u>Atlantic Health Grant</u>	<u>Total 2019</u>
Revenues:							
State Sources	21,770	4,955	9,664	7,768			105,623
Federal Sources							556,505
Local Sources					13,300	5,236	18,536
Total Revenues	<u>21,770</u>	<u>4,955</u>	<u>9,664</u>	<u>7,768</u>	<u>13,300</u>	<u>5,236</u>	<u>680,664</u>
Expenditures:							
Instruction:							
Salaries of Teachers							97,829
Purchased Professional and Technical Services		4,955	9,664	7,768			83,853
Tuition							294,846
General Supplies					8,054	5,236	92,069
Total Instruction	<u>-</u>	<u>4,955</u>	<u>9,664</u>	<u>7,768</u>	<u>8,054</u>	<u>5,236</u>	<u>568,597</u>
Support Services:							
Salaries							7,000
Employee Benefits							12,540
Purchased Professional Educational Services					5,246		66,335
Other Purchased Services	21,770						21,770
General Supplies							4,422
Total Support Services	<u>21,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,246</u>	<u>-</u>	<u>112,067</u>
Total Expenditures	<u>21,770</u>	<u>4,955</u>	<u>9,664</u>	<u>7,768</u>	<u>13,300</u>	<u>5,236</u>	<u>680,664</u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

KENILWORTH SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit G-1

ENTERPRISE FUNDSJUNE 30, 2019

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
<u>Assets:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 147,118	100,237	247,355
Accounts Receivable:			
State	236		236
Federal	7,809		7,809
Inventory	3,474		3,474
Total Current Assets	<u>158,637</u>	<u>100,237</u>	<u>258,874</u>
Noncurrent Assets			
Equipment	177,050		177,050
Accumulated Depreciation	(168,430)		(168,430)
Total Fixed Assets	<u>8,620</u>	<u>-</u>	<u>8,620</u>
Total Assets	<u>\$ 167,257</u>	<u>100,237</u>	<u>267,494</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 37,351		37,351
Deferred Revenue	4,844		4,844
Total Liabilities	<u>\$ 42,195</u>	<u>-</u>	<u>42,195</u>
<u>Net Position:</u>			
Investment in Capital Assets	\$ 8,620		8,620
Unrestricted	116,442	100,237	216,679
Total Net Position	<u>\$ 125,062</u>	<u>100,237</u>	<u>225,299</u>

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

Exhibit G-2

ENTERPRISE FUNDSJUNE 30, 2019

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
Operating Revenues:			
Daily Sales - Reimbursable Programs	\$ 175,574		175,574
Daily Sales - Non-Reimbursable Programs	125,427		125,427
Fees		231,309	231,309
Total Operating Revenues	<u>301,001</u>	<u>231,309</u>	<u>532,310</u>
Operating Expenses:			
Salaries	178,466	186,451	364,917
Other Employee Benefits	42,260		42,260
Cost of Sales - Reimbursable Programs	126,554		126,554
Cost of Sales - Non-Reimbursable Programs	68,355		68,355
Supplies and Materials	16,674	1,202	17,876
Management Fee	8,454		8,454
Repairs/Equipment	42,770		42,770
Depreciation	3,980		3,980
Miscellaneous	7,864	874	8,738
Operating Expenses	<u>495,377</u>	<u>188,527</u>	<u>683,904</u>
Operating Gain/(Loss)	(194,376)	42,782	(151,594)
Non-Operating Revenues:			
Interest Revenue		1,319	1,319
State Sources:			
State School Lunch Program	4,032		4,032
Federal Sources:			
National School Lunch Program	118,809		118,809
Federal HHFKA Program	4,642		4,642
Federal Breakfast Program	9,413		9,413
Food Distribution Program	28,651		28,651
Total Non-Operating Revenues	<u>165,547</u>	<u>1,319</u>	<u>166,866</u>
Change in Net Position	(28,829)	44,101	15,272
Net Position, July 1	<u>153,891</u>	<u>56,136</u>	<u>210,027</u>
Net Position, June 30	<u>\$ 125,062</u>	<u>100,237</u>	<u>225,299</u>

KENILWORTH SCHOOL DISTRICT**SCHEDULE OF CASH FLOWS**

Exhibit G-3

ENTERPRISE FUNDS**JUNE 30, 2019**

	<u>Food Service Program</u>	<u>Aftercare Program</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 301,001	231,309	532,310
Payments to Employees	(178,466)	(186,451)	(364,917)
Payments to Suppliers	(242,302)	(2,076)	(244,378)
Net Cash Provided (Used) by Operating Activities	<u>(119,767)</u>	<u>42,782</u>	<u>(76,985)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	4,032		4,032
Federal Sources	132,864		132,864
Net Cash Provided by Noncapital Financing Activities	<u>136,896</u>	<u>-</u>	<u>136,896</u>
Cash Flows from Investing Activities:			
Interest Revenue		1,319	1,319
Net Cash Provided by Investing Activities	<u>-</u>	<u>1,319</u>	<u>1,319</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,129	44,101	61,230
Cash and Cash Equivalents, July 1	<u>129,989</u>	<u>56,136</u>	<u>186,125</u>
Cash and Cash Equivalents, June 30	<u>\$ 147,118</u>	<u>100,237</u>	<u>247,355</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (194,376)	42,782	(151,594)
Depreciation	3,980		3,980
Federal Commodities Consumed	28,651		28,651
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities			
Decrease/(Increase) in Inventory	2,832		2,832
(Decrease)/Increase in Accounts Payable	19,351		19,351
(Decrease)/Increase in Deferred Revenue	250		250
Decrease/(Increase) in Accounts Receivable	19,545		19,545
Net Cash Provided (Used) by Operating Activities	<u>\$ (119,767)</u>	<u>42,782</u>	<u>(76,985)</u>

FIDUCIARY FUND – H

KENILWORTH SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>Agency Student Activity</u>	<u>Scholarship Fund Non-Expendable Trust Fund</u>	<u>Unemployment Compensation Expendable Trust Fund</u>	<u>Summer Payroll</u>	<u>Total</u>
Assets:					
Cash and Cash Equivalents	\$ 85,440	172,480	482,189	9,817	749,926
Total Assets	<u>\$ 85,440</u>	<u>172,480</u>	<u>482,189</u>	<u>9,817</u>	<u>749,926</u>
Liabilities:					
Due to Student Groups	\$ 85,440				85,440
Total Liabilities	<u>\$ 85,440</u>				<u>85,440</u>
Net Position:					
Due to Employees				9,817	9,817
Reserved - Scholarships		172,480			172,480
Reserved - Unemployment Benefits			482,189		482,189
Total Net Position		<u>\$ 172,480</u>	<u>482,189</u>	<u>9,817</u>	<u>664,486</u>

KENILWORTH SCHOOL DISTRICT

Exhibit H-2

SCHOLARSHIP NONEXPENDABLE TRUST FUNDSTATEMENT OF CHANGES IN FIDUCIARY NET POSITIONFOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>2019</u>
Operating Revenue:	
Local Source:	
Interest on Investments	\$ 2,463
Total Operating Revenue	<u>2,463</u>
Operating Expenses:	
Scholarship Payments	1,500
Total Operating Expenses	<u>1,500</u>
Operating Income (Loss)	<u>963</u>
Net Position July 1	<u>171,517</u>
Net Position June 30	<u>\$ 172,480</u>

KENILWORTH SCHOOL DISTRICTSTUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTSFOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Elementary School</u>				
Harding	\$ 20,382	31,338	28,119	23,601
<u>High School</u>				
David Brearley	67,332	152,639	160,632	59,339
Facility Use Account	-	7,000	4,500	2,500
Athletic Account	-	26,000	26,000	-
Total High School	<u>67,332</u>	<u>185,639</u>	<u>191,132</u>	<u>61,839</u>
Total All Schools	<u>\$ 87,714</u>	<u>216,977</u>	<u>219,251</u>	<u>85,440</u>

KENILWORTH SCHOOL DISTRICT

PAYROLL AGENCY

Exhibit H-4

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ -	8,147,201	8,147,201	-
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ -	8,147,201	8,147,201	-

LONG-TERM DEBT – I

KENILWORTH SCHOOL DISTRICT

LONG-TERM LIABILITIES

Exhibit I-1

SCHEDULE OF SERIAL BONDS

JUNE 30, 2019

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2018</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>				
ERIP Refunding	9/29/2003	\$ 410,000	10/1/2019-20	\$ 35,000	5.50%	\$ 105,000	35,000	70,000
2008 Renovations	2/25/2009	13,900,000	1/15/2020	810,000	4.00%	1,575,000	765,000	810,000
2016 Refunding Bonds	5/18/2016	9,395,000	1/15/2021	805,000	4.00%	9,270,000	-	9,270,000
			1/15/2022	905,000				
			1/15/2023	950,000				
			1/15/2024	990,000				
			1/15/2025	1,035,000				
			1/15/2026	1,080,000				
			1/15/2027	1,125,000				
			1/15/2028	1,165,000				
			1/15/2029	1,215,000				
						<u>\$ 10,950,000</u>	<u>800,000</u>	<u>10,150,000</u>

KENILWORTH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Tax Levy	\$ 786,818		786,818	786,818	
State Sources:					
Debt Service Aid Type II	407,592		407,592	407,592	
Total Revenues	1,194,410	-	1,194,410	1,194,410	-
Expenditures:					
Regular Debt Service:					
Interest	438,613		438,613	438,612	1
Redemption of Principal	800,000		800,000	800,000	
Total Regular Debt Service	1,238,613	-	1,238,613	1,238,612	1
Total Expenditures	1,238,613	-	1,238,613	1,238,612	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,203)	-	(44,203)	(44,202)	1
Fund Balance July 1	44,203	-	44,203	44,203	-
Fund Balance June 30	\$ -	-	-	1	1

STATISTICAL SECTION

(Unaudited)

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

Exhibit J-1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Invested in capital assets, net of related debt	\$ (5,699,765)	\$ (2,216,805)	\$ (1,753,862)	\$ (1,429,497)	\$ (1,544,137)	\$ (2,332,437)	\$ (2,020,379)	\$ (1,663,205)	\$ (1,509,576)	\$ 7,809,053
Restricted (Debt Service)	\$ 46,967	\$ 51,346	\$ 3	\$ 313	\$ 111	\$ 9	\$ 5,506	\$ 49,708		
Restricted (Capital Projects)	\$ 8,246,987	\$ 1,717,992	\$ 433,507	\$ 325,878	\$ -	\$ -				
Restricted (Other Purposes)	\$ 405,015	\$ 754,507	\$ 1,495,703	\$ 2,073,891	\$ 1,810,255	\$ 2,009,363	\$ 1,649,929	\$ 2,476,020	\$ 3,591,382	\$ 4,779,566
Unrestricted	\$ (1,208,665)	\$ 284,261	\$ (598,399)	\$ (1,206,178)	\$ (875,997)	\$ (4,404,932)	\$ (4,776,914)	\$ (5,239,070)	\$ (5,505,174)	\$ (14,812,480)
Total governmental activities net position	\$ 1,790,539	\$ 591,301	\$ (423,048)	\$ (235,593)	\$ (609,768)	\$ (4,727,997)	\$ (5,141,858)	\$ (4,376,547)	\$ (3,423,368)	\$ (2,223,861)
Business-type activities										
Invested in capital assets, net of related debt	\$ 21,517	\$ 41,060	\$ 37,530	\$ 34,000	\$ 30,470	\$ 25,540	\$ 20,560	\$ 16,580	\$ 12,600	\$ 8,620
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 85,148	\$ 121,800	\$ 94,903	\$ 88,745	\$ 116,344	\$ -	\$ 137,092	\$ 161,033	\$ 197,427	\$ 216,679
Total business-type activities net position	\$ 106,665	\$ 162,860	\$ 132,433	\$ 122,745	\$ 146,814	\$ 25,540	\$ 157,652	\$ 177,613	\$ 210,027	\$ 225,299
District-wide										
Invested in capital assets, net of related debt	\$ (5,678,248)	\$ (2,175,745)	\$ (1,716,332)	\$ (1,395,497)	\$ (1,513,667)	\$ (2,307,897)	\$ (1,999,819)	\$ (1,646,625)	\$ (1,496,976)	\$ 7,817,673
Restricted	\$ 46,967	\$ 1,769,338	\$ 433,510	\$ 326,191	\$ 111	\$ 9	\$ 5,506	\$ 49,708		
Other Purposes	\$ 8,652,002	\$ 754,507	\$ 1,495,703	\$ 2,073,891	\$ 1,810,255	\$ 2,009,363	\$ 1,649,929	\$ 2,476,020	\$ 3,591,382	\$ 4,779,566
Unrestricted	\$ (1,123,517)	\$ 406,061	\$ (503,496)	\$ (1,117,433)	\$ (764,836)	\$ (4,288,588)	\$ (4,639,822)	\$ (5,078,037)	\$ (5,307,747)	\$ (14,595,801)
Total district net position	\$ 1,897,204	\$ 754,161	\$ (290,615)	\$ (112,848)	\$ (468,137)	\$ (4,587,113)	\$ (4,984,206)	\$ (4,198,934)	\$ (3,213,341)	\$ (1,998,562)

Source: CAFR Schedule A-1 (Net position)

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

Exhibit J-2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 6,324,634	\$ 6,112,698	\$ 6,660,169	\$ 7,176,047	\$ 7,371,644	\$ 7,169,752	\$ 8,278,681	\$ 7,902,473	\$ 7,865,280	\$ 8,657,294
Special education	2,427,121	2,154,051	2,180,521	2,320,339	2,210,861	2,065,576	3,117,115	3,095,217	2,950,083	3,054,278
Other special education	483,754	495,497	317,117	373,782	576,846	1,044,459	469,834	603,002		
Other instruction	560,607	423,406	455,915	506,685	498,965	546,340	739,128	552,346	1,171,465	1,153,566
Support Services:										
Tuition	1,405,506	1,508,674	1,792,435	1,670,299	1,759,129	2,142,778	1,818,728	1,942,494	1,918,923	1,701,486
Student & instruction related services	2,124,053	2,033,536	2,101,647	2,127,791	2,220,803	2,157,614	2,362,969	2,413,470	2,665,729	2,972,560
School administrative services	565,642	528,848	524,145	580,411	557,611	655,129	681,306	669,683	816,818	704,742
General administrative services	874,963	1,061,329	1,058,488	1,099,370	1,140,220	1,059,239	1,031,882	1,018,607	889,916	1,157,221
Plant operations and maintenance	1,541,424	1,432,142	1,389,821	1,378,877	1,774,694	1,496,737	1,604,097	1,605,136	1,615,633	1,891,810
Pupil transportation	547,152	568,453	649,657	616,852	665,699	643,591	635,830	816,755	847,979	842,707
Unallocated Benefits	4,808,714	4,641,951	4,798,339	5,544,882	5,399,365	5,763,117	6,265,756	6,816,245	7,611,614	8,370,281
Special Schools	43,018	34,938	46,429	45,116	60,934	64,423	67,053	76,978	44,927	38,845
Education Jobs	-	-	127,692	-	-	-	-	-	-	-
Interest on Long Term Debt	656,218	626,763	632,993	601,752	581,305	567,312	388,228	473,980	456,021	423,624
Capital Outlay	-	1,924,688	1,267,372	135,511	5,336	-	28,614	6,800	164,624	481,776
Unallocated depreciation	231,417	472,752	465,633	465,633	465,633	672,942	672,942	616,371	616,371	616,371
ARRA	273,016	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	22,867,239	24,019,726	24,468,373	24,643,347	25,289,045	26,049,009	28,162,163	28,609,557	29,635,383	32,066,561
Business-type activities:										
Food service	470,366	445,839	519,303	468,255	465,651	408,858	411,586	428,308	454,679	495,377
Aftercare Program	-	-	-	115,988	115,988	154,901	184,307	175,226	182,797	188,527
Total business-type activities expense	470,366	445,839	519,303	584,243	581,639	563,759	595,893	603,534	637,476	683,904
Total district expenses	\$23,337,605	\$24,465,565	\$24,987,676	\$25,227,590	\$25,870,684	\$26,612,768	28,758,056	29,213,091	30,272,859	32,750,465
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	-	291,289	329,051	320,929	384,828	512,972	426,985	550,660	468,448	486,093
Operating grants and contributions	1,100,146	676,834	765,300	682,155	577,338	791,702	676,452	590,147	629,222	668,869
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	1,100,146	967,123	1,094,351	1,003,084	962,166	1,304,674	1,103,437	1,140,807	1,097,670	1,154,962
Business-type activities:										
Charges for services				296,778	291,902	235,845	268,642	266,926	277,287	301,001
Aftercare Program						160,117	176,000	179,429	207,649	231,309
Operating grants and contributions	134,293	147,381	161,887	161,789	136,618	169,000	168,019	177,140	184,295	165,547
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	134,293	147,381	161,887	458,567	428,520	564,962	612,661	623,495	669,231	697,857
Total district program revenues	1,234,439	1,114,504	1,256,238	1,461,651	1,390,686	1,869,636	1,716,098	1,764,302	1,766,901	1,852,819
Net (Expense)/Revenue										
Governmental activities	(21,767,093)	(23,052,603)	(23,374,022)	(23,640,263)	(24,326,879)	(24,744,335)	(27,058,726)	(27,468,750)	(28,537,713)	(30,911,599)
Business-type activities	(336,073)	(298,458)	(357,416)	(125,676)	(153,119)	1,203	16,768	19,961	31,755	13,953
Total district-wide net expense	(22,103,166)	(23,351,061)	(23,731,438)	(23,765,939)	(24,479,998)	(24,743,132)	(27,041,958)	(27,448,789)	(28,505,958)	(30,897,646)

General Revenues and Other Changes in Net position

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

Exhibit J-2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Property taxes levied for general purposes, net	15,208,753	16,197,614	16,244,515	16,244,515	16,519,624	17,083,017	18,110,000	19,384,980	19,733,356	19,729,297
Taxes levied for debt service	594,933	700,725	653,823	690,794	695,330	787,607	848,149	849,641	840,369	786,818
Unrestricted grants and contributions	5,538,380	4,730,353	5,691,293	6,690,044	6,550,917	7,061,340	7,572,120	7,812,472	8,739,355	11,021,497
Investment income	1,775	-	-	-	-	-	-	-	-	-
Tuition Received	275,781	305,839	-	-	-	-	-	-	-	-
Miscellaneous income	219,829	63,186	253,922	177,111	216,515	135,601	114,596	186,968	177,812	573,494
Other (Bond Proceeds) Transfers	50,450	408,880	-	-	(20,630)	-	-	-	-	-
Total governmental activities	21,889,901	22,406,597	22,843,553	23,802,464	23,961,756	25,067,565	26,644,865	28,234,061	29,490,892	32,111,106
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	659	1,319
Total business-type activities	-	-	-	-	-	-	-	-	659	1,319
Total district-wide	21,889,901	22,406,597	22,843,553	23,802,464	23,961,756	25,067,565	26,644,865	28,234,061	29,491,551	32,112,425
Change in Net position										
Governmental activities	122,808	(646,006)	(530,469)	162,201	(365,123)	323,230	(413,861)	765,311	953,179	1,199,507
Business-type activities	13,939	(298,458)	(357,416)	(125,676)	(153,119)	1,203	16,768	19,961	32,414	15,272
Total district	136,747	(944,464)	(887,885)	36,525	(518,242)	324,433	(397,093)	785,272	985,593	1,214,779

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	405,015	854,507	1,460,181	1,921,935	1,715,888	1,918,625	1,589,859	2,575,143	3,547,179	4,779,566
Unreserved	236,122	184,261	306,434	213,115	140,272	222,304	148,522	166,214	67,183	(61,611)
Total general fund	<u>\$ 641,137</u>	<u>\$ 1,038,768</u>	<u>\$ 1,766,615</u>	<u>\$ 2,135,050</u>	<u>\$ 1,856,160</u>	<u>\$ 2,140,929</u>	<u>\$ 1,738,381</u>	<u>\$ 2,741,357</u>	<u>\$ 3,614,362</u>	<u>\$ 4,717,955</u>
All Other Governmental Funds										
Reserved	\$ 533,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	180,195	51,437	89,999	55,426	46,318	73,356	64,972		
Capital projects fund	7,713,456	1,717,992	448,392	325,878	-	-				
Debt service fund	20,905	51,346	3	313	111	9	5,506	49,708	44,203	1
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,267,892</u>	<u>\$ 1,949,533</u>	<u>\$ 499,832</u>	<u>\$ 416,190</u>	<u>\$ 55,537</u>	<u>\$ 46,327</u>	<u>\$ 78,862</u>	<u>\$ 114,680</u>	<u>\$ 44,203</u>	<u>\$ 1</u>
Total all Governmental Funds:	<u>\$ 8,909,029</u>	<u>\$ 2,988,301</u>	<u>\$ 2,266,447</u>	<u>\$ 2,551,240</u>	<u>\$ 1,911,697</u>	<u>\$ 2,187,256</u>	<u>\$ 1,817,243</u>	<u>\$ 2,856,037</u>	<u>\$ 3,658,565</u>	<u>\$ 4,717,956</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax levy	15,803,686	16,898,339	16,898,338	16,935,309	17,214,954	17,870,624	18,958,149	19,384,980	20,573,725	20,516,115
Tuition charges	275,781	291,289	329,051	320,292	384,828	512,972	426,985	550,660	468,448	486,093
Interest earnings	1,775	359	-	-	-	-	-	-	-	-
Miscellaneous	264,856	437,973	267,122	190,511	216,515	109,833	130,935	85,313	173,339	336,425
Erate	-	-	-	-	38,185	40,568	17,309	28,503	19,537	-
State sources	5,461,999	4,922,294	5,835,640	6,871,595	6,648,776	7,162,943	7,704,670	7,457,821	8,841,605	11,108,058
Federal sources	1,131,500	414,286	609,467	487,204	441,294	515,182	510,254	9,813	511,908	563,772
Total revenue	<u>22,939,597</u>	<u>22,964,540</u>	<u>23,939,618</u>	<u>24,804,911</u>	<u>24,944,552</u>	<u>26,212,122</u>	<u>27,748,302</u>	<u>27,517,090</u>	<u>30,588,562</u>	<u>33,010,463</u>
Expenditures										
Instruction										
Regular Instruction	6,342,960	6,566,437	6,781,906	7,176,047	7,324,796	7,169,752	8,177,657	7,781,065	7,944,748	8,658,743
Special education instruction	2,427,121	2,154,051	2,182,235	2,320,339	2,210,861	2,065,575	3,117,115	2,568,039	2,950,083	3,054,278
Other special instruction	483,754	495,497	317,117	373,782	576,846	1,044,459	469,834	603,002	-	-
Vocational education	-	-	-	-	-	-	-	-	-	-
Other instruction	560,607	423,406	455,915	506,685	498,965	546,340	739,128	552,346	1,171,465	1,153,566
Support Services:										
Tuition	1,405,506	1,508,674	1,792,435	1,670,299	1,759,129	2,142,778	1,818,728	1,942,494	1,918,923	1,701,486
Student & instruction related services	2,124,053	2,033,536	2,101,647	2,127,791	2,220,803	2,157,614	2,362,969	2,350,501	2,665,729	2,972,560
General administrative services	565,642	528,848	536,303	615,750	557,611	560,944	681,306	669,683	644,210	704,742
School Administrative services	540,018	538,473	524,145	580,411	645,822	655,129	530,194	504,056	889,916	1,006,865
Information Technology	259,645	226,310	189,323	194,879	198,449	199,118	179,575	191,046	172,608	150,356
Business administrative services	334,945	296,546	332,862	288,741	295,949	299,178	322,113	323,505	-	-
Plant operations and maintenance	1,541,424	1,432,142	1,389,821	1,378,877	1,774,694	1,496,737	1,604,097	1,605,136	1,615,633	1,891,810
Pupil transportation	547,152	568,453	649,657	616,852	665,699	643,591	635,830	816,755	847,979	842,707
Unallocated employee benefits	4,549,069	4,641,951	4,798,339	5,529,995	5,399,365	5,700,081	6,146,609	6,542,372	7,430,553	8,310,331
Special Schools	43,018	34,938	46,429	45,116	60,934	64,423	67,053	76,978	44,927	38,845
Charter Schools	-	-	-	-	-	-	-	-	-	-
Capital outlay	2,206,920	6,511,448	1,313,315	135,511	356,327	-	28,614	6,800	164,624	481,776
Debt service:										
Principal	345,000	360,000	375,000	385,000	405,000	585,000	705,000	855,000	770,000	800,000
Interest and other charges	574,673	646,165	628,862	610,231	590,357	576,106	559,531	368,429	470,000	438,612
ARRA/Education Jobs	273,016	-	127,692	-	-	-	-	-	-	-
Total expenditures	<u>25,124,523</u>	<u>28,966,875</u>	<u>24,543,003</u>	<u>24,556,306</u>	<u>25,541,607</u>	<u>25,906,825</u>	<u>28,145,353</u>	<u>27,757,207</u>	<u>29,701,398</u>	<u>32,206,677</u>
Excess (Deficiency) of revenues over (under) expenditures	(2,184,926)	(6,002,335)	(603,385)	248,605	(597,055)	305,297	(397,051)	(240,117)	887,164	803,786
Other Financing sources (uses)										
Adjustment to Fund Balance	-	-	-	-	-	-	-	-	-	255,605
State of NJ Grant	-	-	-	-	-	-	-	-	-	-
2009-2010 budget appropriation	-	-	-	-	-	-	-	-	-	-
Cancel Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Adjustment prior year refund	50,450	(26,901)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>50,450</u>	<u>(26,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,605</u>
Net change in fund balances	<u>(2,134,476)</u>	<u>(6,029,236)</u>	<u>(603,385)</u>	<u>248,605</u>	<u>(597,055)</u>	<u>305,297</u>	<u>(397,051)</u>	<u>(240,117)</u>	<u>887,164</u>	<u>1,059,391</u>
Debt service as a percentage of noncapital expenditures	4.0%	4.5%	4.3%	4.1%	4.0%	4.5%	4.5%	4.4%	4.2%	3.9%

Source: CAFR Schedule B-2

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Misc.	Contribution EE Benefits	E-Rate	Choice Trans	Total
2010	\$ 1,775	\$ 273,386	\$ 84,420	\$ 70,082	\$ 23,514	\$ 18,145	\$ -	\$ 471,322
2011	\$ 359	\$ 305,839	\$ 89,367	\$ 22,692	\$ 212,178	\$ 25,501	\$ 30,046	\$ 685,983
2012	\$ 26	\$ 342,451	\$ 82,990	\$ 22,294	\$ -	\$ 21,946	\$ 85,359	\$ 555,066
2013	\$ -	\$ 320,292	\$ 99,434	\$ 41,398	\$ -	\$ 9,268	\$ -	\$ 470,392
2014	\$ -	\$ 446,828	\$ 83,647	\$ 71,174	\$ -	\$ 38,185	\$ -	\$ 639,834
2015	\$ -	\$ 525,407	\$ 43,955	\$ 33,955	\$ -	\$ 40,568	\$ -	\$ 643,885
2016	\$ 9,646	\$ 435,634	\$ 51,485	\$ 21,710	\$ -	\$ 17,309	\$ -	\$ 535,784
2017	\$ 25,250	\$ 510,173	\$ 47,058	\$ 16,870	\$ -	\$ 28,504	\$ -	\$ 627,855
2018		\$ 468,448		\$ 173,339		\$ 19,537		\$ 661,324
2019		\$ 486,093		\$ 317,889		\$ -		\$ 803,982

Source: District Records

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Personal Tangible Property	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2010	\$ 7,315,200	\$ 441,568,500	\$ -	\$ -	\$ 88,612,800	\$ 344,834,100	\$ -	\$ 882,330,600	\$ -	\$ 570,873	\$ 882,901,473	1.790	
2011	\$ 8,661,300	\$ 443,985,500	\$ -	\$ -	\$ 87,613,500	\$ 341,525,500	\$ -	\$ 881,785,800	\$ -	\$ 653,117	\$ 882,438,917	1.914	
2012	\$ 8,489,400	\$ 445,497,400	\$ -	\$ -	\$ 88,755,600	\$ 304,366,400	\$ -	\$ 845,108,800	\$ -	\$ 669,606	\$ 845,778,406	2.003	
2013	\$ 7,816,300	\$ 448,142,500	\$ -	\$ -	\$ 85,952,000	\$ 269,868,100	\$ -	\$ 811,778,900	\$ -	\$ 654,527	\$ 812,433,427	2.119	
2014	\$ 7,826,100	\$ 449,556,100	\$ -	\$ -	\$ 88,522,400	\$ 269,859,600	\$ -	\$ 815,764,200	\$ -	\$ 622,822	\$ 816,387,022	2.189	
2015	\$ 7,820,300	\$ 451,270,500	\$ -	\$ -	\$ 89,904,100	\$ 269,142,200	\$ -	\$ 818,137,100	\$ -	\$ 629,922	\$ 818,767,022	2.316	
2016	\$ 7,977,900	\$ 452,547,700	\$ -	\$ -	\$ 89,797,200	\$ 269,079,300	\$ -	\$ 819,402,100	\$ -	\$ 658,808	\$ 820,060,908	2.467	
2017	\$ 8,058,300	\$ 455,339,700	\$ -	\$ -	\$ 87,565,800	\$ 266,955,100	\$ -	\$ 817,918,900	\$ -	\$ 658,767	\$ 818,577,667	2.514	
2018	\$ 7,898,200	\$ 456,530,900	\$ -	\$ -	\$ 86,825,700	\$ 269,920,500	\$ -	\$ 816,174,300	\$ -	\$ 660,570	\$ 816,824,870	2.512	
2019	\$ 7,859,600	\$ 457,857,700	\$ -	\$ -	\$ 87,240,700	\$ 264,284,900	\$ -	\$ 817,648,500	\$ -	\$ 599,570	\$ 818,248,070	2.561	

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kenilworth Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt	Total Direct	Kenilworth Borough	County Open Space	Union County	
		Service ^b					
2010	1.790		1.790	1.142	0.033	0.759	3.724
2011	1.914		1.914	1.198	0.031	0.769	3.912
2012	2.003		2.003	1.280	0.028	0.830	4.141
2013	2.119		2.119	1.337	0.027	0.899	4.382
2014	2.189		2.189	1.387	0.025	0.874	4.475
2015	2.316		2.316	1.405	0.026	0.921	4.668
2016	2.467		2.467	1.402	0.025	0.900	4.795
2017	2.514		2.514	1.433	0.025	0.902	4.874
2018	2.512		2.512	1.472	0.026	0.899	4.909
2019	2.561		2.561	1.507	0.028	0.952	5.050

Source: District Records and Municipal Tax Collector

Note:

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

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

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

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

Exhibit J-8

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merck (Schering 2002)	\$ 162,606,900	1	19.87%	\$ 241,982,700	1	27.47%
Castle & Cooke, NJ, LLC	\$ 7,867,100	2	0.96%	\$ 7,867,100	4	0.89%
Kenilworth-Grocery/Berenson	\$ 7,643,700	3	0.93%	\$ 8,243,700	3	0.94%
Cristie Properties	\$ 6,903,600	4	0.84%	\$ 6,903,600	5	0.78%
251 S. 31st Street, LLC	\$ 5,974,000	5	0.73%	\$ -		0.00%
FDV Realty	\$ 5,195,900	7	0.64%	\$ 4,656,700	8	0.00%
Lakhani Associates	\$ 4,200,000	6	0.84%	\$ -		0.00%
141 Market Street Realty, LLC.	\$ 4,113,000	8	0.51%	\$ -		0.00%
Boright Realty	\$ 3,638,800	9	0.44%	\$ 8,786,500	2	0.00%
ADHP Real Estate	\$ 3,500,000	10	0.43%	\$ 4,500,000	9	0.51%
Total	\$ 211,643,000		26.21%	\$ 282,940,300		30.59%
 Total Assessed Value:	 \$ 818,248,070			 \$ 881,020,500		

Source: Municipal Tax Assessor -

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

Exhibit J-9

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 34,596,919	\$ 34,292,005	99.11%	
2011	\$ 35,096,203	\$ 34,691,680	98.84%	
2012	\$ 35,083,414	\$ 34,773,275	99.11%	
2013	\$ 35,711,990	\$ 35,395,437	99.09%	
2014	\$ 36,638,155	\$ 36,316,828	99.12%	
2015	\$ 38,283,875	\$ 38,021,915	99.31%	
2016	\$ 39,427,384	\$ 39,109,601	99.19%	
2017	\$ 40,074,496	\$ 39,662,278	98.94%	
2018	\$ 40,175,885	\$ 39,797,014	98.99%	

Source: Borough Tax Office

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

Fiscal Year Ended June 30, #	# Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2010	15,670,000	-	-	-	-	15,670,000	0.19%	\$ 29,831
2011	15,310,000	-	-	-	-	15,310,000	0.19%	\$ 29,831
2012	14,935,000	-	-	-	-	14,935,000	0.20%	\$ 29,831
2013	14,550,000	-	-	-	-	14,550,000	0.20%	\$ 29,363
2014	14,145,000	-	-	-	-	14,145,000	0.21%	\$ 29,182
2015	13,560,000	-	-	-	-	13,560,000	0.25%	\$ 33,914
2016	13,275,000	-	-	-	-	12,855,000	0.33%	\$ 41,792
2017	12,420,000	-	-	-	-	11,720,000	0.36%	\$ 42,123
2018	11,650,000	-	-	-	-	11,650,000	0.36%	\$ 42,123
2019	10,850,000	-	-	-	-	10,850,000	0.39%	\$ 42,123

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

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

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

b Includes Early Retirement Incentive Plan (ERIP) refunding

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

Exhibit J-11

General Bonded Debt Outstanding							
Fiscal Year Ended June 30,	General Obligation Bonds	Additions	Refinanced	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2010	16,015,000	-		345,000	15,670,000	0.51%	\$ 1,980.04
2011	15,670,000			360,000	15,310,000	0.50%	\$ 1,934.55
2012	15,310,000			375,000	14,935,000	0.48%	\$ 1,887.16
2013	14,935,000			385,000	14,550,000	0.47%	\$ 1,809.70
2014	14,550,000			405,000	14,145,000	0.46%	\$ 1,748.45
2015	14,145,000			585,000	13,560,000	0.44%	\$ 1,663.19
2016	13,560,000	9,395,000	9,675,000	5,000	13,275,000	0.43%	\$ 1,628.24
2017	13,275,000			855,000	12,420,000	0.40%	\$ 1,511.87
2018	12,420,000			770,000	11,650,000	0.38%	\$ 1,421.77
2019	11,650,000			800,000	10,850,000	0.35%	\$ 1,421.77

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

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

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

**Borough of Kenilworth Board of Education
 Ratios of Overlapping Governmental Activities Debt
 As of June 30, 2019**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kenilworth (12-31-18)	10,518,522	100.000%	10,518,522
Other debt			
County of Union - Borough's Share	587,410,875	2.02%	11,865,700
Rahway Valley Sewerage Authority	145,983,784	3.62%	5,284,613
Subtotal, overlapping debt			27,668,835
Kenilworth Borough School District Direct Debt			<u>10,150,000</u>
Total direct and overlapping debt			<u><u>\$ 37,818,835</u></u>

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

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

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

Legal Debt Margin Calculation

	Equalized valuation basis									
	2018	\$ 1,270,158,942								
	2017	\$ 1,270,158,942								
	2016	\$ 1,270,158,942								
	[A]	\$ 3,810,476,826								
Average Equalized Valuation of Taxable Property	[A/3]	\$ 1,270,158,942								
Debt Limit (4% of Avg. Equalization Value)		50,806,358								
Net Bonded School Debt	[C]	10,850,000								
	[B-C]	\$ 39,956,358								
Fiscal Year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 74,712,830	73,471,721	\$ 65,251,540	\$ 64,170,313	\$ 38,836,672	\$ 52,092,654	\$ 52,092,654	\$ 50,806,358	\$ 50,806,358	\$ 50,806,358
Loss of Business Income										
Total net debt applicable to limit	\$ 15,670,000	\$ 15,310,000	\$ 14,935,000	\$ 14,550,000	\$ 14,145,000	\$ 13,560,000	\$ 13,275,000	\$ 12,420,000	\$ 11,650,000	\$ 10,850,000
Legal debt margin	\$ 90,382,830	\$ 58,161,721	\$ 50,316,540	\$ 49,620,313	\$ 24,691,672	\$ 38,532,654	\$ 38,817,654	\$ 38,386,358	\$ 39,156,358	\$ 39,956,358
Total net debt applicable to the limit as a percentage of debt limit	20.97%	20.84%	22.89%	22.67%	36.42%	26.03%	25.48%	24.45%	22.93%	21.36%

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

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

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

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

Exhibit J-14

<u>Year</u>	<u>Kenilworth Population**</u>	<u>Personal Income (thousands of dollars)*</u>	<u>Per Capita Personal Income*</u>	<u>Unemployment Rate</u>
2010	7,914	23,608,253	29,831	9.60%
2011	7,914	23,608,253	29,831	10.10%
2012	7,914	23,608,253	29,831	10.20%
2013	8,040	23,608,253	29,363	9.20%
2014	8,090	23,608,253	29,182	6.60%
2015	8,153	23,608,253	28,957	5.80%
2016	8,215	23,608,253	28,738	5.20%
2017	8,194	23,608,253	28,812	4.50%
2018	8,129	23,608,253	29,042	4.60%
2019	8,220	23,608,253	48,728	3.60%

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

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

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

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

Source: Borough of Kenilworth

Not Available

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

Exhibit J-16

<u>Function/Program</u>	<u>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	88.00	89.60	90.60	91.20	94.55	95.70	97.29	101.23	99.10	101.83
Special education	32.00	33.60	33.60	35.50	34.22	39.57	44.61	47.34	42.06	42.10
Other special education (CST)	6.50	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
Other instruction	8.00	8.00	8.00	9.00	11.27	11.64	11.50	10.50	10.50	10.50
Support Services:										
Student & instruction related services	10.00	11.00	11.00	11.00	10.00	11.00	12.00	13.94	14.50	14.50
General administrative services	7.00	7.00	7.00	7.00	8.00	7.00	7.00	7.50	8.50	8.50
School administrative services	8.50	8.50	8.50	8.90	9.50	9.50	9.50	10.50	10.50	11.50
Business administrative services	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75
Plant operations and maintenance	8.50	8.50	8.50	8.50	8.75	8.75	8.75	8.75	8.75	8.75
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Total	<u>172.5</u>	<u>177.2</u>	<u>178.2</u>	<u>182.1</u>	<u>187.0</u>	<u>193.9</u>	<u>201.4</u>	<u>210.5</u>	<u>204.7</u>	<u>209.4</u>

Source: District Position Control Roster

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle/High School				
2010	1,367	21,997,930	\$ 16,092	0.54%	127.00	12.00	10.00	1,372.20	1,297.80	-1.11%	94.58%
2011	1,316	21,449,262	\$ 16,299	1.28%	127.00	12.00	11.00	1,339.90	1,276.10	-2.35%	95.24%
2012	1,332	22,098,134	\$ 16,590	1.79%	128.00	12.00	11.00	1,360.72	1,299.96	1.55%	95.53%
2013	1,400	23,425,564	\$ 16,733	0.86%	129.70	11.00	10.00	1,395.70	1,322.30	2.57%	94.74%
2014	1,389	24,189,923	\$ 17,415	4.08%	136.91	11.00	11.00	1,442.90	1,386.30	3.38%	96.08%
2015	1,412	24,745,719	\$ 17,532	0.67%	141.20	11.00	10.00	1,414.14	1,338.75	-1.99%	94.67%
2016	1,353	26,852,208	\$ 19,846	13.96%	146.73	12.00	11.00	1,411.57	1,341.37	-2.17%	95.03%
2017	1,355	26,526,978	\$ 19,577	12.41%	99.10	12.00	10.00	1,433.97	1,357.47	-0.62%	94.67%
2018	1,465	27,932,176	\$ 19,066	8.75%	141.16	11.00	12.00	1,438.53	1,359.75	1.72%	94.52%
2019	1,445	32,206,677	\$ 22,288	14.46%	143.93	11.00	11.00	1,422.29	1,351.37	0.76%	95.01%

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

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>District Building</u>										
<u>Elementary</u>										
Warren Harding (1923)										
Square Feet	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500	90,500
Capacity (students)	650	650	650	650	650	650	650	650	650	650
Enrollment	703	638	652	680	714	730	679	682	706	691
<u>Middle/High School</u>										
David Brearley (1966)										
Square Feet	147,910	147,910	150,267	150,267	150,267	150,267	150,267	150,267	150,267	150,267
Capacity (students)	804	804	804	804	804	804	804	804	804	804
Enrollment	664	678	680	716	729	721	744	752	759	754
DISTRICT TOTALS	1,367	1,316	1,332	1,396	1,443	1,451	1,423	1,434	1,465	1,445

Number of Schools at June 30, 2019

Elementary = 1

Middle/High School = 1

Source: District records- School Register ADE

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

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

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

School Facilities	Project # (s)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Warren Harding Elementary School	N/A	77,115	76,941	109,920	57,341	50,935	28,700	62,398	13,840	36,894	30,870
David Brearley Middle/High School	N/A	110,695	49,087	56,353	108,322	104,459	69,033	54,125	96,369	38,492	40,867
District Level	N/A	155,454	193,145	267,626	158,295	88,333	136,512	103,436	152,319	101,560	122,289
Total School Facilities		<u>343,264</u>	<u>319,173</u>	<u>433,899</u>	<u>323,958</u>	<u>243,727</u>	<u>234,245</u>	<u>219,959</u>	<u>262,528</u>	<u>176,946</u>	<u>194,026</u>

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

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

Exhibit J-20

**NJ SCHOOLS INSURANCE FUND (NJSIG) JOINT INSURANCE FUND
2018-2019**

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

Source: District Records

SINGLE AUDIT SECTION

ARMOUR S. HULSART, C.P.A., F.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., F.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

K-1

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenilworth Board of Education, County of Union, State of New Jersey as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Kenilworth Board of Education, County of Union, State of New Jersey's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

December 5, 2019

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

K-2

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's compliance.

Opinion on Each Major State Program

In our opinion, the Board of Education of the Kenilworth School District, County of Union, State of New Jersey's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

December 5, 2019

KENILWORTH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Schedule A
K-3

Federal Grantor/ Pass-Through Grantor/ Project Title	Federal CFDA Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2018	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2019			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
General Fund:															
Medical Assistance Program SEMI	93.778	1705NJ5MAP	N/A	\$ 19,062	07/01/2018	06/30/2019	\$ -		19,062	(19,062)					
U.S. Department of Agriculture Passed Through State Department of Education:															
National School Lunch Program	10.555	1916NJ304N1099	N/A	118,809	07/01/2018	06/30/2019	\$ -		111,928	(118,809)		(6,881)			
National School Lunch Program	10.555	1816NJ304N1099	N/A	141,320	07/01/2017	06/30/2018	(6,000)		6,000						
School Breakfast Program	10.553	1816NJ304N1099	N/A	8,098	07/01/2017	06/30/2018	(472)		472						
School Breakfast Program	10.553	1916NJ304N1099	N/A	9,413	07/01/2018	06/30/2019			8,757	(9,413)		(656)			
HHFKA	10.555	1916NJ304N1099	N/A	4,643	07/01/2018	06/30/2019			4,371	(4,643)		(272)			
HHFKA	10.555	1816NJ304N1099	N/A	5,252	07/01/2017	06/30/2018	(224)		224						
Food Distribution Program	10.550	1916NJ304N1099	N/A	28,651	07/01/2018	06/30/2019			28,651	(28,651)					
Total U.S. Department of Agriculture							(6,696)	-	160,403	(161,316)	-	(7,809)	-	-	-
U.S. Department of Education Passed Through State Department of Education:															
Title I	84.010	S101A150030	N/A	150,960	07/01/2017	06/30/2018	(24,700)		24,700						
Title I	84.010	S101A150030	N/A	189,886	07/01/2018	06/30/2019			189,886	(189,886)					
Title IIA	84.367	S367A160029	N/A	40,605	07/01/2018	06/30/2019			35,651	(36,288)		(637)			
Title IIA	84.367	S367A150029	N/A	26,254	07/01/2017	06/30/2018	(7,835)		7,835						
Title III	84.365	S365A160030	N/A	9,933	07/01/2018	06/30/2019			9,605	(9,929)		(324)			
Title III	84.365	S365A150030	N/A	13,119	07/01/2017	06/30/2018	(5,593)		5,593						
Title III Immigrant	84.365	S365A150030	N/A	2,216	07/01/2018	06/30/2019			2,216	(2,216)					
Title IV	84.424	S424A170031	N/A	10,000	07/01/2017	06/30/2018	(2,299)		2,299						
Title IV	84.424	S424A170031	N/A	10,000	07/01/2018	06/30/2019			10,000	(10,000)					
IDEA Part B Basic	84.173	H173A160114	N/A	314,771	07/01/2017	06/30/2018	(6,938)		6,938						
IDEA Part B Basic	84.173	H173A160114	N/A	311,922	07/01/2018	06/30/2019			295,806	(298,686)		(2,880)			
IDEA Part B Preschool	84.027	H027A150100	N/A	10,076	07/01/2018	06/30/2019			9,500	(9,500)					
Total U.S. Department of Education							(47,365)	-	600,029	(556,505)	-	(3,841)	-	-	-
Total Federal Financial Assistance							\$ (54,061)	-	779,494	(737,083)	-	(11,650)	-	-	-

See Accompanying Notes to Schedules of Financial Assistance.

KENILWORTH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2018			Cash Received	Budgetary Expenditures Pass Through Funds	Adjustments	Repayment of Prior Year Balances	Balance at June 30, 2019			MEMO		
			From	To	Deferred Income (Accis Receivable)	Due To Grantor	Carryover (Walkover) Amonit					Intergovernmental (Accounts Receivable)	Deferred Revenue Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
Special Education Aid	19-495-034-5120-089	\$ 1,218,446	7/1/2018	6/30/2019	\$ -			1,097,516	(1,218,446)								
School Choice	19-495-034-5120-068	2,311,520	7/1/2018	6/30/2019				2,082,000	(2,311,520)								
Equalization Aid	19-495-034-5120-078	2,455,648	7/1/2018	6/30/2019				2,211,827	(2,455,648)								
Security Aid	19-495-034-5120-084	214,451	7/1/2018	6/30/2019				193,189	(214,451)								
Transportation Aid	19-495-034-5120-014	173,781	7/1/2018	6/30/2019				156,505	(173,781)								
Extraordinary Aid	19-495-034-5120-044	114,730	7/1/2018	6/30/2019					(114,730)			(114,730)					
Extraordinary Aid	18-495-034-5120-044	109,359	7/1/2017	6/30/2018	(109,359)			109,359									
On Behalf TPAF Pension Contributions	19-495-034-5094-002	3,350,505	7/1/2018	6/30/2019				3,350,505	(3,350,505)								
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	19-100-034-5095-003	925,315	7/1/2018	6/30/2019				880,345	(925,315)				(44,970)				
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	18-100-034-5095-002	845,839	7/1/2017	6/30/2018	(41,837)			41,837									
					(151,196)			10,123,083	(10,764,396)				(159,700)				
State Department of Agriculture: National School Lunch Program (State Share)	18-100-010-3350-023	4,579	7/1/2017	6/30/2018	(195)			195									
National School Lunch Program (State Share)	19-100-010-3350-023	4,032	7/1/2018	6/30/2019				3,796	(4,032)				(236)				
					(195)			3,991	(4,032)				(236)				
Debt Service Aid Type II	19-495-034-5120-125	407,592	7/1/2018	6/30/2019				407,592	(407,592)								
Special Revenue: Nonpublic Aid: Textbook Aid	18-495-034-5120-064	9,641	7/1/2017	6/30/2018	14							(14)					
Textbook Aid	19-495-034-5120-064	7,796	7/1/2018	6/30/2019				7,796	(7,768)								
Nursing Services	18-100-034-5120-070	17,072	7/1/2017	6/30/2018	1,958							(1,958)					
Nursing Services	19-100-034-5120-070	14,162	7/1/2018	6/30/2019				14,162	(9,664)								
Technology Aid	19-100-034-5120-373	5,256	7/1/2018	6/30/2019				5,256	(4,955)								
Technology Aid	18-100-034-5120-373	6,512	7/1/2017	6/30/2018	312							(312)					
Security Aid	18-100-034-5120-084	13,200	7/1/2017	6/30/2018	108							(108)					
Security Aid	19-100-034-5120-084	21,900	7/1/2018	6/30/2019				21,900	(21,770)								
Compensatory Education	18-100-034-5120-067	60,237	7/1/2017	6/30/2018	27,990							(27,990)					
Compensatory Education	19-100-034-5120-067	34,940	7/1/2018	6/30/2019				34,940	(34,940)								
English as a Second Language	19-100-034-5120-067	1,294	7/1/2018	6/30/2019				1,294									
Transportation	19-100-034-5120-067	7,162	7/1/2018	6/30/2019				7,162	(7,162)								
Examination and Classification	19-100-034-5120-066	14,019	7/1/2018	6/30/2019				14,019	(7,467)								
Examination and Classification	18-100-034-5120-066	21,293	7/1/2017	6/30/2018	9,098							(9,098)					
Corrective Speech	18-100-034-5120-066	4,464	7/1/2017	6/30/2018	1,607							(1,607)					
Corrective Speech	19-100-034-5120-066	2,857	7/1/2018	6/30/2019				2,857	(2,857)								
Supplemental Instruction	18-100-034-5120-066	19,031	7/1/2017	6/30/2018	7,612							(7,612)					
Supplemental Instruction	19-100-034-5120-066	15,859	7/1/2018	6/30/2019				15,859	(9,040)								
					48,699			125,245	(105,623)								
Total State Financial Assistance					\$ (102,692)			10,659,911	(11,281,643)				(48,699)				
Less On Behalf Pension System Contributions									(3,350,505)								
Total For State Financial Assistance Major Program Determination								\$ (7,931,138)									

See Accompanying Notes to Schedules of Financial Assistance.

BOARD OF EDUCATION

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KENILWORTH SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2019****NOTE 1: General**

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

NOTE 2: Basis of Accounting

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

NOTE 3: Relationship to General Purpose Financial Statements

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

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

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>					
Actual Amounts (Budgetary)					
“Revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 10,764,396	105,623	407,592	4,032	11,281,643
Difference – Budget to “GAAP”					
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized					
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	(169,554)	_____	_____	_____	(169,554)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 10,594,842</u>	<u>105,623</u>	<u>407,592</u>	<u>4,032</u>	<u>11,112,089</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>					
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$ 19,062	556,505		161,516	737,083
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized	_____	(11,795)	_____	_____	(11,795)
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 19,062</u>	<u>544,710</u>	_____	<u>161,516</u>	<u>725,288</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2019. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer’s share of social security contributions for TPAF members for the year ended June 30, 2019.

BOROUGH OF KENILWORTH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 1 - Summary of Auditor's Results

Financial Statement Section

Unmodified

(A) Type of auditor's report issued:

(B) Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes x No

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

_____ Yes x No

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

_____ Yes x No

Federal Awards Section

Not Applicable

BOROUGH OF KENILWORTH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

State Awards Section

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

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

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

(M) Internal control over compliance:

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

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

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

(O) Identification of major programs:

GMIS Number(s)

19-100-034-5095-002
19-495-034-5120-030
19-495-034-5120-068
19-495-034-5120-084
19-495-034-5120-089
19-495-034-5120-014

Name of State Program

Reimbursed TPAF Social Security Contributions
Equalization Aid (Public Cluster)
School Choice (Public Cluster)
Security Aid (Public Cluster)
Special Education Aid (Public Cluster)
Transportation Aid (Public Cluster)

BOROUGH OF KENILWORTH SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019***Part 2 - Schedule of Financial Statement Findings***

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

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

BOROUGH OF KENILWORTH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

FEDERAL AWARDS

Not Applicable

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

K-6

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

STATE AWARDS

Finding: None

State program information: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

Management's response: N/A

BOROUGH OF KENILWORTH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

K-7

Prior Audit Findings:

No prior year audit findings.