

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

**Comprehensive Annual
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

**Kinnelon Borough School District
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart.....	4
Roster of Officials	5
Consultants and Advisors	6

FINANCIAL SECTION

Independent Auditors' Report	8
------------------------------------	---

Required Supplementary Information	11
Management's Discussion and Analysis.....	12

Basic Financial Statements (Sections A. and B.).....	21
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A. District-Wide Financial Statements	22
A-1 Statement of Net Position.....	23
A-2 Statement of Activities	24

B. Fund Financial Statements	26
B-1 Balance Sheet – Governmental Funds.....	27
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	28
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
B-4 Statement of Net Position – Proprietary Funds	30
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	31
B-6 Statement of Cash Flows – Proprietary Funds	32
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	33
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	34

Notes to Financial Statements	35
-------------------------------------	----

Required Supplementary Information.....

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions.....	74
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	74
L-2 Schedule of District Contributions – Public Employees Retirement System.....	75
L-3 Schedule of State's Proportionate Share of the Net Pension Liability Associated with the District – Teachers' Pension and Annuity Fund	76
L-4 Schedule of State Contributions – Teachers' Pension and Annuity Fund.....	77
L-5 Schedule of Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the District and Related Ratios	78
Notes to Required Supplementary Information	79

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

FINANCIAL SECTION (Cont'd)

C.	Budgetary Comparison Schedules	82
C-1	Budgetary Comparison Schedule – General Fund	83
C-2	Budgetary Comparison Schedule – Budgetary Basis - Special Revenue Fund	95
C-3	Budgetary Comparison Schedule – Note to RSI	96
Other Supplementary Schedules (D.-I.)		
D.	School Level Schedules (Not Applicable)	98
E.	Special Revenue Fund	99
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis	100
E-2	Preschool Education Aid Schedule of Expenditures (Not Applicable)	
F.	Capital Projects Fund (Not Applicable)	102
G.	Proprietary Funds	103
	Enterprise Funds	
G-1	Combining Statement of Net Position	104
G-2	Combining Statement of Revenue, Expenses and Changes in Fund Net Position	105
G-3	Combining Statement of Cash Flows	106
H.	Fiduciary Funds	107
H-1	Combining Statement of Fiduciary Net Position	108
H-2	Combining Statement of Changes in Fiduciary Net Position	109
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	110
H-4	Student Activity Agency Fund Statement of Activity By School	111
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements	112
I.	Long-Term Debt	113
I-1	Schedule of Serial Bonds	114
I-2	Schedule of Obligations Under Capital Leases	115
I-3	Debt Service Fund Budgetary Comparison Schedule	116
J.	STATISTICAL SECTION (Unaudited)	117
J-1	Net Position by Component	118
J-2	Changes in Net Position	119
J-3	Fund Balances - Governmental Funds	121
J-4	Changes in Fund Balances – Governmental Funds	122
J-5	General Fund Other Local Revenue by Source	124
J-6	Assessed Value and Actual Value of Taxable Property	125
J-7	Direct and Overlapping Tax Rates	126
J-8	Principal Property Taxpayers	127
J-9	Property Tax Levies and Collections	128
J-10	Ratios of Outstanding Debt by Type	129
J-11	Ratios of Net General Bonded Debt Outstanding	130
J-12	Ratios of Overlapping Governmental Activities Debt	131
J-13	Legal Debt Margin Information	132

KINNELON BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

J. STATISTICAL SECTION (Unaudited) (Cont'd)	
J-14 Demographic and Economic Statistics	133
J-15 Principal Employers	134
J-16 Full-Time Equivalent District Employees by Function/Program.....	135
J-17 Operating Statistics.....	136
J-18 School Building Information.....	137
J-19 Schedule of Required Maintenance for School Facilities	138
J-20 Insurance Schedule.....	139
K. Single Audit Section	140
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	141
K-2 Report on Compliance For Each Major State Program: Report On Internal Control Over Compliance.....	143
K-3 Schedule of Expenditures of Federal Awards	145
K-4 Schedule of Expenditures of State Awards	146
K-5 Notes to the Schedules of Expenditures of Federal and State Awards.....	148
K-6 Schedule of Findings and Questioned Costs	150
K-7 Summary Schedule of Prior Audit Findings	152

**INTRODUCTORY SECTION
(UNAUDITED)**



KINNELON PUBLIC SCHOOLS

109 KIEL AVENUE ♦ KINNELON, NEW JERSEY 07405

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

Website: www.kinnelonpublicschools.org

Kerry Keane
Business Administrator
Board Secretary

December 15, 2020

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

Dear Board Members:

The comprehensive annual financial report of the Kinnelon Board of Education (the “District”) for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Kinnelon Board of Education (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through Grade 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2019/2020 fiscal year with an enrollment of 1,742 students which was a decrease of 62 students from the prior year.

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
Page 2
December 15, 2020

2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 3.0%. This is approximately 1.0% lower than the national average. Future home development is limited due to the implementation of the Highlands Act.

3) MAJOR INITIATIVES: Over the past five years, student enrollment in the Kinnelon Public Schools has decreased approximately 16.9%. Our student population decrease was anticipated and our focus is on repurposing existing instructional space to meet the needs of our student population. There are no plans for future building expansion.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2020.

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

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
Page 3
December 15, 2020

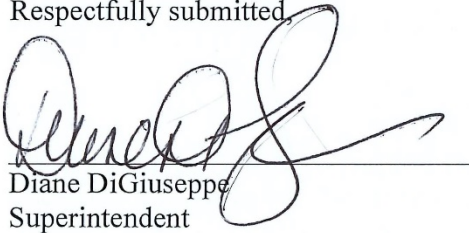
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the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

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

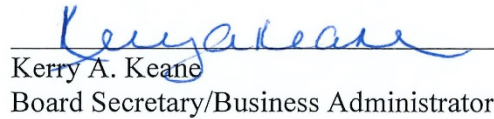
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivocchia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the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

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

Respectfully submitted,

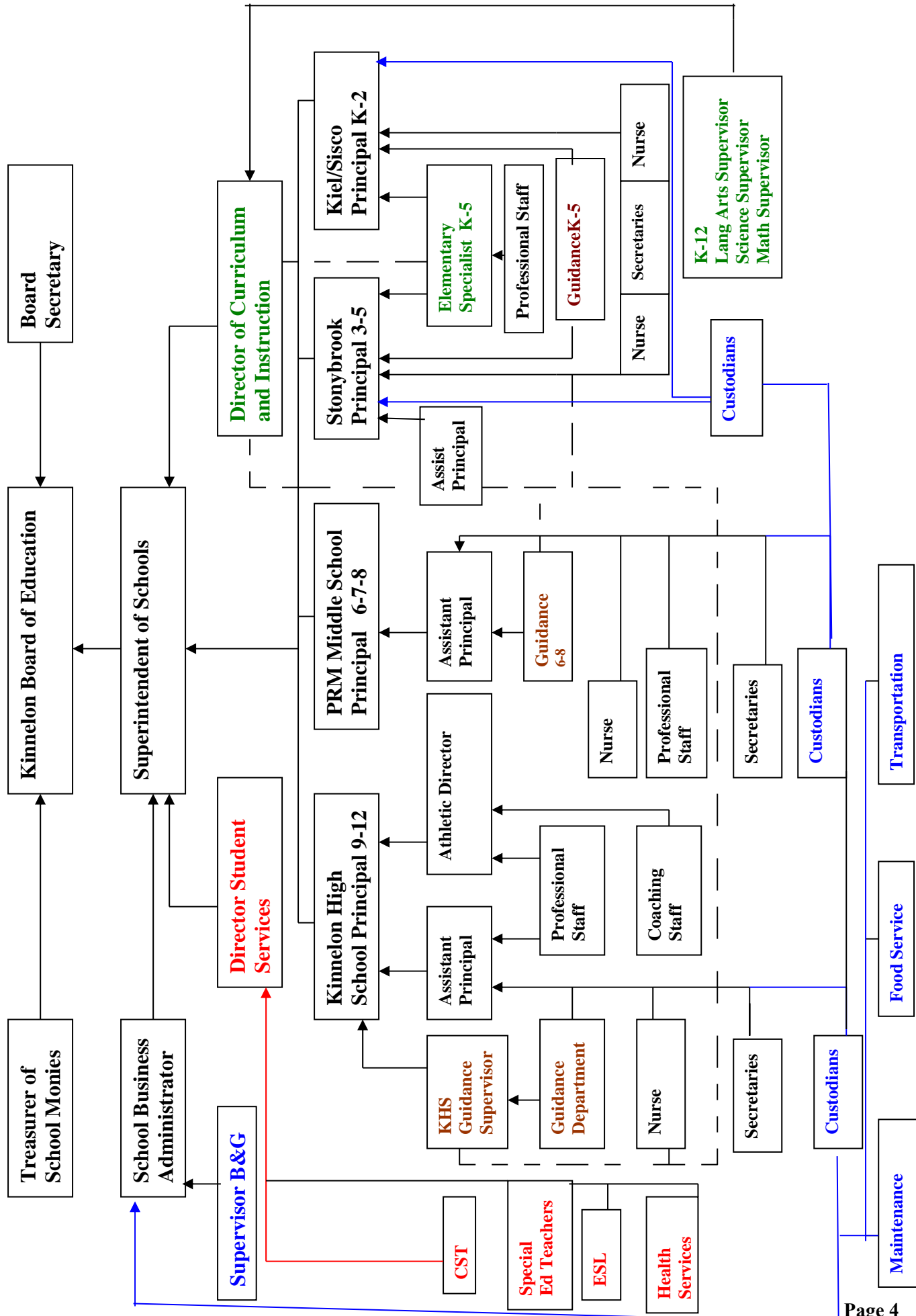


Diane DiGiuseppe
Superintendent



Kerry A. Keane
Board Secretary/Business Administrator

KINNELON SCHOOL DISTRICT ORGANIZATIONAL CHART



BOROUGH OF KINNELON BOARD OF EDUCATION KINNELON, NEW JERSEY

ROSTER OF OFFICIALS JUNE 30, 2020

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Michael Petruccelli	President	2021
Dr. Peter Hughes	Vice President	2021
Marianne DeAlessi	Member	2020
Michelle Donus	Member	2022
Megan Fischbeck	Member	2022
David Gigante	Member	2022
Nathan Nussbaum	Member	2020

Other Officials

Diane DiGiuseppe, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

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

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

OFFICIAL DEPOSITORY

Lakeland Bank
Route 23 North
Kinnelon, NJ 07405

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 15, 2020
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

John J. Mooney

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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

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

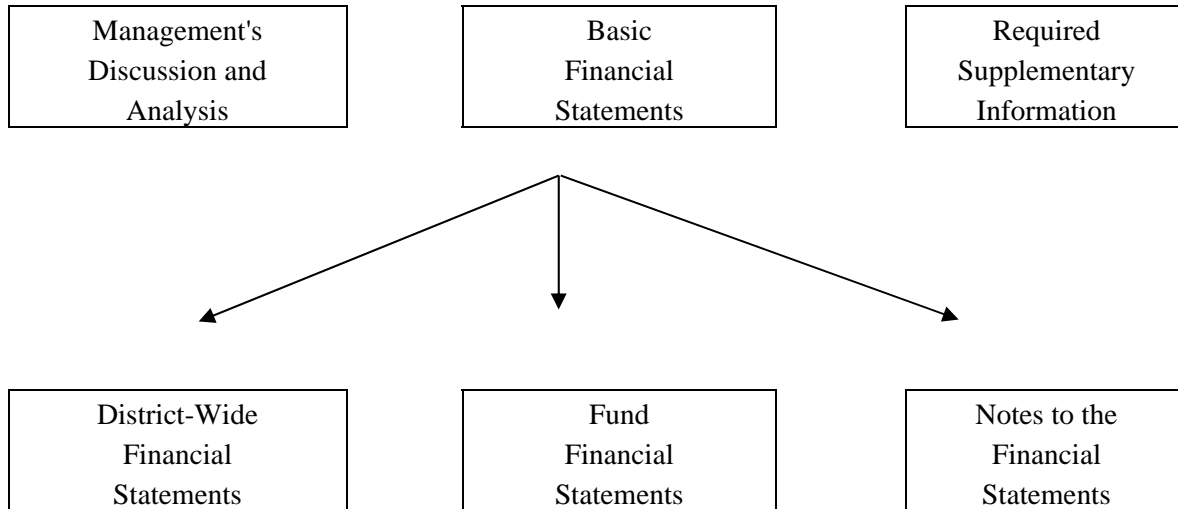


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

Net Position: The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2020 and 2019. The District's *combined* net position was \$13,479,236 on June 30, 2020, \$201,134 or 1.49% less than the prior fiscal year. The net position of the governmental activities decreased by \$128,173 and net position of the business-type activities decreased by \$72,961.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2019/20
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	
Current and Other Assets	\$ 5,544,339	\$ 4,065,648	\$ 303,112	\$ 360,187	\$ 5,847,451	\$ 4,425,835	
Capital Assets, Net	36,145,365	37,365,503	46,847	50,261	36,192,212	37,415,764	
Total Assets	<u>41,689,704</u>	<u>41,431,151</u>	<u>349,959</u>	<u>410,448</u>	<u>42,039,663</u>	<u>41,841,599</u>	0.47%
Deferred Outflows of Resources	<u>3,012,171</u>	<u>3,731,979</u>			<u>3,012,171</u>	<u>3,731,979</u>	-23.90%
Other Liabilities	2,037,695	753,559	32,938	20,466	2,070,633	774,025	
Long-Term Liabilities	<u>26,158,924</u>	<u>27,903,096</u>			<u>26,158,924</u>	<u>27,903,096</u>	
Total Liabilities	<u>28,196,619</u>	<u>28,656,655</u>	<u>32,938</u>	<u>20,466</u>	<u>28,229,557</u>	<u>28,677,121</u>	-1.59%
Deferred Inflows of Resources	<u>3,343,041</u>	<u>3,216,087</u>			<u>3,343,041</u>	<u>3,216,087</u>	3.80%
Net Position:							
Net Investment in Capital Assets	21,716,861	22,001,528	46,847	50,261	21,763,708	22,051,789	
Restricted	2,361,617	2,263,871			2,361,617	2,263,871	
Unrestricted/(Deficit)	<u>(10,916,263)</u>	<u>(10,975,011)</u>	<u>270,174</u>	<u>339,721</u>	<u>(10,646,089)</u>	<u>(10,635,290)</u>	
Total Net Position	<u>\$ 13,162,215</u>	<u>\$ 13,290,388</u>	<u>\$ 317,021</u>	<u>\$ 389,982</u>	<u>\$ 13,479,236</u>	<u>\$ 13,680,370</u>	-1.49%

Figure A-4 represents the *Changes in net position*. Net investment in capital assets decreased \$288,081 due to capital asset disposals and current fiscal year depreciation, offset by capital asset additions, bonded debt paid down and capital leases paid down. Restricted net position increased \$97,746 as a result of a net increase in the capital reserve offset by a decrease in excess surplus. The deficit in unrestricted net position decreased by \$10,799 primarily due to the changes in compensated absences payable, net pension liability, deferred inflows and outflows of resources related to pensions, unexpended budget appropriations and an excess in state revenues.

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District	Percentage Change
	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19	2019/20
Revenue:							
Program Revenue:							
Charges for Services	\$ 5,870	\$ 520,270	\$ 526,140	\$ 114,297	\$ 761,036	\$ 875,333	
Operating Grants and Contributions	11,788,986	68,977	11,857,963	13,597,932	84,349	13,682,281	
General Revenue:							
Property Taxes	38,434,568		38,434,568	37,720,037		37,720,037	
Other	143,088	698	143,786	163,895	677	164,572	
Total Revenue	<u>50,372,512</u>	<u>589,945</u>	<u>50,962,457</u>	<u>51,596,161</u>	<u>846,062</u>	<u>52,442,223</u>	-2.82%
Expenses:							
Instruction	26,924,346		26,924,346	27,278,310		27,278,310	
Pupil and Instruction Services	10,771,675		10,771,675	10,763,001		10,763,001	
Administrative and Business	4,345,885		4,345,885	4,386,029		4,386,029	
Maintenance and Operations	4,219,230		4,219,230	4,554,978		4,554,978	
Transportation	2,439,674		2,439,674	2,413,206		2,413,206	
Other	1,799,875	661,977	2,461,852	1,810,451	855,460	2,665,911	
Total Expenses	<u>50,500,685</u>	<u>661,977</u>	<u>51,162,662</u>	<u>51,205,975</u>	<u>855,460</u>	<u>52,061,435</u>	-1.73%
Other Item - Disposal of Capital Assets		(929)	(929)				-100.00%
Increase/(Decrease) in Net Position	<u>\$ (128,173)</u>	<u>\$ (72,961)</u>	<u>\$ (201,134)</u>	<u>\$ 390,186</u>	<u>\$ (9,398)</u>	<u>\$ 380,788</u>	-152.82%

Governmental Activities

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

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

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

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

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

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019/20	2019/20	2018/19	2018/19
Instruction	\$ 26,924,346	\$ 18,637,642	\$ 27,278,310	\$ 17,630,705
Pupil and Instruction Services	10,771,675	8,508,914	10,763,001	8,116,769
Administrative and Business	4,345,885	3,597,645	4,386,029	3,463,634
Maintenance and Operations	4,219,230	4,152,382	4,554,978	4,487,466
Transportation	2,439,674	2,009,371	2,413,206	1,984,721
Other	1,799,875	1,799,875	1,810,451	1,810,451
	<u>\$ 50,500,685</u>	<u>\$ 38,705,829</u>	<u>\$ 51,205,975</u>	<u>\$ 37,493,746</u>

Business-Type Activities

Net position from the District's business-type activities decreased by \$72,961, comprised of decreases of \$16,430 in the Food Service program and \$56,531 in the Enrichment program, due to the interruption of services as a result of the COVID-19 pandemic (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

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

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

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

General Fund Budgetary Highlights

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

Capital Asset and Long-Term Liabilities

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	Change 2019/20
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	
Buildings and Building Improvements	35,555,208	36,671,495			35,555,208	36,671,495	
Machinery and Equipment	544,347	648,198	\$ 46,847	\$ 50,261	591,194	698,459	
Total Capital Assets (net of Depreciation)	<u>\$ 36,145,365</u>	<u>\$ 37,365,503</u>	<u>\$ 46,847</u>	<u>\$ 50,261</u>	<u>\$ 36,192,212</u>	<u>\$ 37,415,764</u>	-3.27%

The District’s capital assets decreased by \$1,223,552. Capital assets disposals, net of depreciation, totaled \$2,249 and total depreciation was \$1,260,820, offset by capital acquisitions of \$39,517.

Long-term Liabilities

At year-end, the District had \$26,158,924 in general obligation bonds and other long-term liabilities outstanding, a decrease of \$1,744,172 or 6.25% from the previous year, as shown in Figure A-7. (More detailed information about the District’s long-term liabilities is presented in Note 7 to the financial statements.)

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

	Total School District		Percentage
	2019/20	2018/19	Change 2019/20
General Obligation Bonds (Financed with Property Taxes)	\$ 15,010,000	\$ 15,995,000	
Unamortized Bond Premium	1,424,254	1,573,198	
Net Pension Liability	9,100,422	9,616,368	
Compensated Absences	624,248	662,518	
Capital Leases		56,012	
	<u>\$ 26,158,924</u>	<u>\$ 27,903,096</u>	-6.25%

The District paid down \$985,000 of bonds and \$56,012 of capital leases, amortized \$148,944 of bond premiums, its net pension liability decreased by \$515,946 and there was a net decrease in compensated absences of \$38,270.

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

The COVID-19 pandemic continues to significantly impact the District's finances as we implement numerous emergency protective measures to protect public health and safety.

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

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

The impact of S2937 adopted by the State of New Jersey on June 28, 2011 provides pension and health benefit reforms. This legislation has provided some long term cost containment for pension and health benefit costs.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,257,693	\$ 266,077	\$ 2,523,770
Receivables from Other Governments	903,945	1,966	905,911
Other Receivables	29,116		29,116
Internal Balances	(10,607)	10,607	
Interfund Receivable	2,575		2,575
Inventory		24,462	24,462
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	2,361,617		2,361,617
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	36,099,555	46,847	36,146,402
Total Assets	41,689,704	349,959	42,039,663
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	581,496		581,496
Deferred Outflows of Resources Related to Pensions	2,430,675		2,430,675
Total Deferred Outflows of Resources	3,012,171		3,012,171
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	245,125		245,125
Accounts Payable	1,765,391	55	1,765,446
Payable to Federal Government	6,586		6,586
Unearned Revenue	20,593	32,883	53,476
Noncurrent Liabilities:			
Due Within One Year	1,143,944		1,143,944
Due Beyond One Year	25,014,980		25,014,980
Total Liabilities	28,196,619	32,938	28,229,557
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	3,343,041		3,343,041
Total Deferred Inflows of Resources	3,343,041		3,343,041
NET POSITION			
Net Investment in Capital Assets	21,716,861	46,847	21,763,708
Restricted for Capital Projects	2,361,617		2,361,617
Unrestricted/(Deficit)	(10,916,263)	270,174	(10,646,089)
Total Net Position	\$ 13,162,215	\$ 317,021	\$ 13,479,236

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 18,550,528	\$ 5,870	\$ 4,399,077		\$ (14,145,581)		\$ (14,145,581)
Special Education	6,348,241		3,694,674		(2,653,567)		(2,653,567)
Other Special Instruction	786,492		187,083		(599,409)		(599,409)
Other Instruction	1,239,085				(1,239,085)		(1,239,085)
Support services:							
Tuition	2,037,471		361,328		(1,676,143)		(1,676,143)
Student & Instruction Related Services	8,734,204		1,901,433		(6,832,771)		(6,832,771)
General Administrative Services	831,224		101,945		(729,279)		(729,279)
School Administrative Services	2,849,379		646,295		(2,203,084)		(2,203,084)
Central Services	543,142				(543,142)		(543,142)
Administrative Information Technology	122,140				(122,140)		(122,140)
Plant Operations and Maintenance	4,219,230		66,848		(4,152,382)		(4,152,382)
Pupil Transportation	2,439,674		430,303		(2,009,371)		(2,009,371)
Transfer of Funds to Charter Schools	57,986				(57,986)		(57,986)
Interest on Long-Term Debt	617,370				(617,370)		(617,370)
Unallocated Depreciation	1,124,519				(1,124,519)		(1,124,519)
Total Governmental Activities	50,500,685	5,870	11,788,986	\$ -0-	(38,705,829)	\$ -0-	(38,705,829)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 406,302	\$ 321,824	\$ 68,977		\$ (15,501)	\$ (15,501)	\$ (15,501)
Enrichment Program	255,675	198,446			(57,229)	(57,229)	(57,229)
Total Business-Type Activities	661,977	520,270	68,977		(72,730)	(72,730)	(72,730)
Total Primary Government	\$ 51,162,662	\$ 526,140	\$ 11,857,963	\$ -0-	\$ (38,705,829)	(72,730)	(38,778,559)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					36,845,835		36,845,835
Taxes Levied for Debt Service					1,588,733		1,588,733
Investment Earnings					8,098	698	8,796
Miscellaneous Income					134,990		134,990
Other Item - Disposal of Capital Assets						(929)	(929)
Total General Revenues and Other Item					38,577,656	(231)	38,577,425
Change in Net Position					(128,173)	(72,961)	(201,134)
Net Position - Beginning					13,290,388	389,982	13,680,370
Net Position - Ending					\$ 13,162,215	\$ 317,021	\$ 13,479,236

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

FUND FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,257,693		\$ 2,257,693
Receivables from State Government	899,134		899,134
Receivables from Federal Government		\$ 4,811	4,811
Other Receivables		29,116	29,116
Interfunds Receivable	9,323		9,323
Restricted Cash and Cash Equivalents	2,361,617		2,361,617
Total Assets	\$ 5,527,767	\$ 33,927	\$ 5,561,694
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,199,686		\$ 1,199,686
Payable to Federal Government		\$ 6,586	6,586
Interfund Payable	10,607	6,748	17,355
Unearned Revenue		20,593	20,593
Total Liabilities	1,210,293	33,927	1,244,220
Fund Balances:			
Restricted for Capital Reserve	2,361,617		2,361,617
Assigned:			
Designated For Subsequent Year's Expenditures	178,400		178,400
Year-end Encumbrances	719,544		719,544
Unassigned	1,057,913		1,057,913
Total Fund Balances	4,317,474		4,317,474
Total Liabilities and Fund Balances	\$ 5,527,767	\$ 33,927	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	\$ 36,145,365
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt.	(1,424,254)
Deferred amount on refunding is not reported as an expense in the Governmental Funds in the year of expense.	581,496
Accrued liability for interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(245,125)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(9,100,422)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows of Resources Related to Pensions, Excluding Contribution Subsequent to Measurement Date	1,864,970
Deferred Inflows of Resources Related to Pensions	(3,343,041)
Other Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	(15,634,248)
Net Position of Governmental Activities	\$ 13,162,215

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 36,845,835		\$ 1,588,733	\$ 38,434,568
Tuition	5,870			5,870
Interest Earned	8,098			8,098
Miscellaneous	134,990	\$ 42,554		177,544
Total - Local Sources	36,994,793	42,554	1,588,733	38,626,080
State Sources	9,055,220	5,707	66,848	9,127,775
Federal Sources		415,899		415,899
Total Revenue	46,050,013	464,160	1,655,581	48,169,754
EXPENDITURES:				
Current:				
Regular Instruction	11,644,920	46,612		11,691,532
Special Education Instruction	3,901,891	34,630		3,936,521
Other Special Instruction	485,193			485,193
Other Instruction	983,602			983,602
Support Services and Undistributed Costs:				
Tuition	1,676,143	361,328		2,037,471
Student & Instruction Related Services	5,648,428	21,590		5,670,018
General Administrative Services	669,129			669,129
School Administrative Services	1,807,153			1,807,153
Central Services	420,224			420,224
Administrative Information Technology	90,819			90,819
Plant Operations and Maintenance	3,315,839			3,315,839
Pupil Transportation	2,303,036			2,303,036
Unallocated Benefits	12,398,951			12,398,951
Transfer of Funds to Charter Schools	57,986			57,986
Debt Service:				
Principal			985,000	985,000
Interest and Other Charges			670,581	670,581
Capital Outlay	387,525			387,525
Total Expenditures	45,790,839	464,160	1,655,581	47,910,580
Excess of Revenue Over Expenditures	259,174			259,174
Fund Balance — July 1	4,058,300			4,058,300
Fund Balance — June 30	\$ 4,317,474	\$ -0-	\$ -0-	\$ 4,317,474

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

KINNELON BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balances - Governmental Funds (from B-2)		
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		\$ 259,174
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deletions exceeded capital outlays.		
	Depreciation expense	\$ (1,251,616)
	Capital outlays	32,798
	Disposal of capital assets, net of accumulated depreciation	<u>(1,320)</u>
		(1,220,138)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		985,000
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		38,270
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		9,808
Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		56,012
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		515,946
Change in Deferred Outflows of Resources Related to Pensions		(688,694)
Change in Deferred Inflows of Resources Related to Pensions		(126,954)
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, where as this amount is deferred and amortized in the statement of activities.		(105,541)
The governmental funds report the effect of a bond premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (+)		<u>148,944</u>
Change in Net Position of Governmental Activities		<u>\$ (128,173)</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		<u>Total</u>
	<u>Food</u> <u>Service</u>	<u>Enrichment</u> <u>Program</u>	<u>Enterprise</u> <u>Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents		\$ 266,077	\$ 266,077
Accounts Receivable:			
Federal	\$ 995		995
State	971		971
Interfund Receivable	10,607		10,607
Inventories	24,462		24,462
Total Current Assets	37,035	266,077	303,112
Non-Current Assets:			
Capital Assets	414,731		414,731
Less: Accumulated Depreciation	(367,884)		(367,884)
Total Non-Current Assets	46,847		46,847
Total Assets	83,882	266,077	349,959
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Cash Deficit	55		55
Unearned Revenue - Prepaid Sales	27,738		27,738
Unearned Revenue - Donated Commodities	5,145		5,145
Total Current Liabilities	32,938		32,938
<u>NET POSITION:</u>			
Investment in Capital Assets	46,847		46,847
Unrestricted	4,097	266,077	270,174
Total Net Position	\$ 50,944	\$ 266,077	\$ 317,021

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

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 113,788		\$ 113,788
Daily Sales - Non-Reimbursable Programs	208,036		208,036
Program Fees		\$ 198,446	198,446
Total Operating Revenue	321,824	198,446	520,270
Operating Expenses:			
Cost of Sales - Reimbursable Programs	80,630		80,630
Cost of Sales - Non-Reimbursable Programs	102,154		102,154
Salaries, Benefits & Payroll Taxes	173,081	211,229	384,310
Employee Benefits		10,901	10,901
Management Fee	17,250		17,250
Professional and Technical Services	225	6,528	6,753
Depreciation Expense	9,204		9,204
Supplies and Materials	20,194	10,867	31,061
Administrative Expense	3,564	16,150	19,714
Total Operating Expenses	406,302	255,675	661,977
Operating (Loss)	(84,478)	(57,229)	(141,707)
Non-Operating Income:			
Local Sources:			
Interest Income		698	698
State Sources:			
State School Lunch Program	2,641		2,641
State School Lunch Program:			
COVID-19 Seamless Summer Option	84		84
Supplemental	955		955
Federal Sources:			
National School Lunch Program	34,576		34,576
National School Lunch Program -			
COVID-19 Seamless Summer Option	5,290		5,290
Food Distribution Program	25,431		25,431
Total Non-Operating Income	68,977	698	69,675
Change in Net Position Before Other Item	(15,501)	(56,531)	(72,032)
Other Item - Disposal of Capital Assets, Net	(929)		(929)
Change in Net Position	(16,430)	(56,531)	(72,961)
Net Position - Beginning of Year	67,374	322,608	389,982
Net Position - End of Year	\$ 50,944	\$ 266,077	\$ 317,021

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

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 330,754	\$ 198,446	\$ 529,200
Payments to Employees		(211,229)	(211,229)
Payments for Benefits		(10,901)	(10,901)
Payments to Food Service Vendor	(368,698)		(368,698)
Payments to Suppliers	(13,255)	(17,395)	(30,650)
Payments for Administrative Expenses		(16,150)	(16,150)
Net Cash (Used for) Operating Activities	<u>(51,199)</u>	<u>(57,229)</u>	<u>(108,428)</u>
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	(6,719)		(6,719)
Net Cash Flows (Used for) Capital Financing Activities	<u>(6,719)</u>		<u>(6,719)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	44,993		44,993
Net Cash Provided by Noncapital Financing Activities	<u>44,993</u>	<u>-0-</u>	<u>44,993</u>
Cash Flows from Investing Activities:			
Investment Income		698	698
Net Cash Flows Provided by Investing Activities		<u>698</u>	<u>698</u>
Net (Decrease) in Cash and Cash Equivalents	(12,925)	(56,531)	(69,456)
Cash and Cash Equivalents, July 1	12,870	322,608	335,478
Cash and Cash Equivalents/(Deficit), June 30	<u>\$ (55)</u>	<u>\$ 266,077</u>	<u>\$ 266,022</u>
Reconciliation of Operating Income/(Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (84,478)	\$ (57,229)	\$ (141,707)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:			
Federal Food Distribution Program	25,431		25,431
Depreciation Expense	9,204		9,204
Changes in Assets and Liabilities:			
(Increase) in Inventory	(13,773)		(13,773)
Increase in Prepaid Sales	8,930		8,930
Increase in Unearned Revenue	3,487		3,487
Net Cash (Used for) Operating Activities	<u>\$ (51,199)</u>	<u>\$ (57,229)</u>	<u>\$ (108,428)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$28,918 and utilized \$25,431 for the fiscal year ended June 30, 2020.

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 148,167	\$ 31,037	\$ 223,855	\$ 390,874
Total Assets	<u>148,167</u>	<u>31,037</u>	<u>223,855</u>	<u>390,874</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings				226,000
Interfund Payable General Fund				2,575
Due to Student Groups				162,299
Total Liabilities				<u>390,874</u>
<u>NET POSITION:</u>				
Held in Trust for:				
Flexible Spending Claims		31,037		
Unemployment Claims	148,167			
Restricted for Scholarships			223,855	
Total Net Position	<u>\$ 148,167</u>	<u>\$ 31,037</u>	<u>\$ 223,855</u>	<u>\$ -0-</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 76,181	\$ 55,550		\$ 131,731
Donations			\$ 45,000	45,000
Total Contributions	76,181	55,550	45,000	176,731
Investment Earnings:				
Interest	274	35	378	687
Total Investment Earnings	274	35	378	687
Total Additions	76,455	55,585	45,378	177,418
DEDUCTIONS:				
Flexible Spending Claims		44,803		44,803
Unemployment Compensation Claims	73,907			73,907
Scholarships Awarded			64,750	64,750
Total Deductions	73,907	44,803	64,750	183,460
Change in Net Position	2,548	10,782	(19,372)	(6,042)
Net Position - Beginning of the Year	145,619	20,255	243,227	409,101
Net Position - End of the Year	\$ 148,167	\$ 31,037	\$ 223,855	\$ 403,059

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

District-Wide Financial Statements

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements (Cont'd)

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

Fund Financial Statements

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

The District reports the following governmental funds:

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

B. Basis of Presentation (Cont'd)

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

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

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

The District reports the following proprietary funds:

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

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 46,064,565	\$ 485,284
Differences - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(21,124)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	166,433	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(180,985)	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 46,050,013	\$ 464,160
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 45,790,839	\$ 485,284
Differences - Budgetary 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.		(21,124)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 45,790,839	\$ 464,160

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

E. Cash and Cash Equivalents and Investments

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

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

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

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

F. Interfund Transactions

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

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

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

G. Allowance for Uncollectible Accounts

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

H. Encumbrances

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

K. Capital Assets

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

K. Capital Assets (Cont'd)

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2020.

N. Compensated Absences

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

N. Compensated Absences (Cont'd)

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$4,317,474 General Fund fund balance at June 30, 2020, \$719,544 is assigned for encumbrances; \$178,400 is assigned and designated for subsequent year's expenditures; \$2,361,617 is restricted in the capital reserve account; and \$1,057,913 is unassigned which is \$180,985 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2021.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess surplus at June 30, 2020.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$180,985 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2020 related to pensions and for the deferred amount on refunding of debt related to the District's refunding bonds. The District had deferred inflows of resources related to pensions at June 30, 2020.

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Q. Net Position (Cont'd)

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

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

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

R. Deficit Net Position

The District's governmental activities has a \$10,916,263 deficit in unrestricted net position, primarily due to the accrual of compensated absences payable, accrued interest payable, unamortized bond issuance premiums, net pension liability and deferred inflows of resources related to pensions, offset by deferred outflows of resources related to pensions and Governmental Funds unassigned and assigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2020.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and the amount designated for subsequent year's expenditures in the General Fund at June 30, 2020.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

Deposits

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

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

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd)

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

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

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

Accounts	Cash and Cash Equivalents	Cash and Cash Equivalents Capital Reserve Account	Total
Checking Accounts	\$ 3,317,648	\$ 2,361,617	\$ 5,679,265

During the period ending June 30, 2020, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2020 was \$5,679,265 and the bank balance was \$6,692,740.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 2,085,504
Interest Earned	997
Increase per Board Resolution - June 25, 2020	793,116
Budgeted Withdrawal	<u>(518,000)</u>
Ending Balance, June 30, 2020	<u>\$ 2,361,617</u>

The balance in the capital reserve account at June 30, 2020 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2020 were as follows:

<u>Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	<u>45,810</u>			<u>45,810</u>
Assets Being Depreciated:				
Buildings and Building Improvements	60,734,403			60,734,403
Machinery and Equipment	5,630,978	\$ 32,798	\$ (10,000)	5,653,776
Total Assets Being Depreciated	<u>66,365,381</u>	<u>32,798</u>	<u>(10,000)</u>	<u>66,388,179</u>
Governmental Activities Capital Assets	<u>66,411,191</u>	<u>32,798</u>	<u>(10,000)</u>	<u>66,433,989</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(24,062,908)	(1,116,287)		(25,179,195)
Machinery and Equipment	(4,982,780)	(135,329)	8,680	(5,109,429)
Total Accumulated Depreciation	<u>(29,045,688)</u>	<u>(1,251,616)</u>	<u>8,680</u>	<u>(30,288,624)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 37,365,503</u>	<u>\$ (1,218,818)</u>	<u>\$ (1,320)</u>	<u>\$ 36,145,365</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital assets balances and activity for the year ended June 30, 2020 were as follows: (Cont'd)

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
Business-Type Activities:				
Machinery and Equipment	\$ 412,657	\$ 6,719	\$ (4,645)	\$ 414,731
Less: Accumulated Depreciation	(362,396)	(9,204)	3,716	(367,884)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 50,261</u>	<u>\$ (2,485)</u>	<u>\$ (929)</u>	<u>\$ 46,847</u>

Depreciation expense was charged to governmental functions as follows:

	Amount
Regular Instruction	\$ 35,104
General Administrative Services	4,412
Plant Operations and Maintenance	15,324
Pupil Transportation	72,257
Unallocated	1,124,519
Total Depreciation Expense	<u>\$ 1,251,616</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District made transfers to capital outlay accounts of \$66,617; \$59,617 for equipment which did not require County Superintendent approval and \$7,000 for facilities acquisition and construction services for which County Superintendent approval was required.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2019	Issued/ Accrued	Retired	Balance June 30, 2020
Serial Bonds Payable	\$ 15,995,000		\$ 985,000	\$ 15,010,000
Unamortized Bond Premium	1,573,198		148,944	1,424,254
Net Pension Liability	9,616,368		515,946	9,100,422
Compensated Absences	662,518	\$ 74,093	112,363	624,248
Capital Leases	56,012		56,012	
Total	<u>\$ 27,903,096</u>	<u>\$ 74,093</u>	<u>\$ 1,818,265</u>	<u>\$ 26,158,924</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

A. Bonds Payable:

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

The District had serial bonds outstanding as of June 30, 2020 as follows:

<u>Purpose</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2020</u>
Refunding Bond of 2002 Issue	9/14/2010	3.00-4.00%	10/1/2023	\$ 3,805,000
Refunding Bond of 2006/2007 Issues	2/10/2015	2.00-5.00%	2/1/2033	11,205,000
				<u>\$ 15,010,000</u>

The current portion of bonds payable at June 30, 2020 is \$995,000 and the long-term portion is \$14,015,000.

Debt service requirements on serial bonds payable at June 30, 2020 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 995,000	\$ 631,481	\$ 1,626,481
2022	985,000	597,181	1,582,181
2023	1,005,000	567,516	1,572,516
2024	1,045,000	535,838	1,580,838
2025	910,000	517,275	1,427,275
Thereafter:			
2026-2030	5,960,000	1,833,750	7,793,750
2031-2033	4,110,000	392,825	4,502,825
	<u>\$ 15,010,000</u>	<u>\$ 5,075,866</u>	<u>\$ 20,085,866</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

As of June 30, 2020, the Board has no capital leases payable.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

D. Unamortized Bond Premiums:

Unamortized bond premiums are recorded as a long-term liability in the governmental funds. As of June 30, 2020, the current portion of the liability is \$148,944, and the long-term portion is \$1,275,310.

E. Compensated Absences Payable:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The entire \$624,248 compensated absences payable balance at June 30, 2020 is long-term. The General Fund will be used to liquidate the Governmental Activities compensated absences payable

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the Food Service Fund or Enrichment Fund.

F. Net Pension Liability:

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$9,100,422 net pension liability at June 30, 2020 is long-term. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$493,688 for fiscal year 2020.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the District reported a liability of \$9,100,422 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0505%, which was an increase of 0.0017% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$790,976. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:	2014	6.44	\$ 24,050	
	2015	5.72	148,710	
	2016	5.57	735,951	
	2017	5.48		\$ 1,306,399
	2018	5.63		1,055,690
	2019	5.21		796,639
Subtotal			908,711	3,158,728
Changes in Proportion:	2014	6.44		457
	2015	5.72	74,627	
	2016	5.57	131,431	
	2017	5.48	255,553	
	2018	5.63	26,375	
	2019	5.21	304,932	
Subtotal			792,918	457
Difference Between Expected and Actual Experience:	2015	5.72	41,259	
	2016	5.57	22,334	
	2017	5.48	38,852	
	2018	5.63		40,202
	2019	5.21	60,896	
Subtotal			163,341	40,202
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2016	5.00		(167,968)
	2017	5.00		201,573
	2018	5.00		140,210
	2019	5.00		(30,161)
Subtotal				143,654
District Contribution Subsequent to the Measurement Date:	2019	1.00	565,705	
			\$ 2,430,675	\$ 3,343,041

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (262,779)
2021	(852,449)
2022	(761,187)
2023	(357,417)
2024	(36,700)
	\$ (2,270,532)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 based on 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 11,495,502	\$ 9,100,422	\$ 7,082,505

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2020, the State of New Jersey contributed \$3,588,148 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,870,642.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$99,531,641. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.1622%, which was a decrease of 0.0041% from its proportion measured as of June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		99,531,641
Total	\$	99,531,641

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$5,870,642 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

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

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	8.50 years	\$ 768,874,621	
2015	8.30 years	2,351,172,865	
2016	8.30 years	5,609,216,856	
2017	8.30 years		\$ 8,483,527,374
2018	8.29 years		5,172,258,445
2019	8.04 years		3,507,345,617
Difference Between Expected and Actual Experience:			
2014	8.50 years		7,323,009
2015	8.30 years	145,211,243	
2016	8.30 years		69,755,412
2017	8.30 years	150,939,884	
2018	8.29 years	907,352,137	
2019	8.04 years		136,265,890
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2016	5 years		(431,855,192)
2017	5 years		452,016,524
2018	5 years		288,091,115
2019	5 years		(144,882,771)
		\$ 9,932,767,606	\$ 17,539,845,423

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 117,369,834	\$ 99,531,641	\$ 84,731,573

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$18,948 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$25,733 for the fiscal year ended June 30, 2020.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	<u>216,892</u>
Total	<u><u>364,943</u></u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the District

	Total OPEB Liability
Balance at June 30, 2018	\$ 63,972,758
Changes for Year:	
Service Cost	2,334,677
Interest Cost	2,532,735
Difference Between Expected and Actual Experience	(9,533,529)
Changes in Assumptions	871,304
Member Contributions	53,175
Gross Benefit Payments	(1,793,850)
Net Changes	(5,535,488)
Balance at June 30, 2019	\$ 58,437,270

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019 calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 69,037,509	\$ 58,437,270	\$ 50,017,021

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019 calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 48,149,706	\$ 58,437,270	\$ 72,055,893

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$1,275,260 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019, the State deferred outflows of resources and deferred inflows of resources related to OPEB attributable to the District is from the following sources:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 6,803,280
	2018	9.51		5,851,741
	2019	9.29	\$ 777,515	
			777,515	12,655,021
Differences between Expected and Actual Experience	2018	9.51		5,531,716
	2019	9.29		9,151,395
				14,683,111
Changes in Proportion	N/A	N/A	708,233	1,025,408
			\$ 1,485,748	\$ 28,363,540

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB attributable to the District, excluding changes in proportion, will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ (3,566,149)
2020	(3,566,148)
2021	(3,566,148)
2022	(3,566,148)
2023	(3,566,148)
Total Thereafter	(8,729,876)
	\$ (26,560,617)

NOTE 10. DEFERRED COMPENSATION

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

403(b)

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

457

- Equitable

NOTE 11. RISK MANAGEMENT

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance:

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

New Jersey Unemployment Compensation Insurance:

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

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

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

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$ 76,181	\$ 274	\$ 73,907	\$ 148,167
2018-2019	59,154	- 0 -	67,338	145,619
2017-2018	64,218	282	49,349	153,803

Property and Liability

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

The June 30, 2020 audit report for the Fund is not available as of the date of this report. Selected summarized financial information for the Fund as of June 30, 2019 is as follows:

<u>Year Ended</u> <u>June 30, 2019</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	<u>\$ 20,888,033</u>
Net Position	<u>\$ 8,932,828</u>
Total Revenue	<u>\$ 7,954,404</u>
Total Expenses	<u>\$ 7,605,614</u>
Member Dividends	<u>\$ 1,150,834</u>
Change in Net Position	<u>\$ (802,044)</u>

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

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

NOTE 12. TAX CALENDAR

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2020, if any, is unknown.

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 719,544	\$ 45,186	\$ 764,730

On the District's Governmental Fund Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$45,186 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 14. ECONOMIC DEPENDENCY

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables as of June 30, 2020.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 9,323	\$ 10,607
Special Revenue Fund		6,748
Enterprise Fund - Food Service	10,607	
Fiduciary Fund - Payroll Agency		2,575
	<u>\$ 19,930</u>	<u>\$ 19,930</u>

The General Fund interfund payable to the Enterprise Fund is due to a prior year balance not turned over by year end. The Special Revenue Fund interfund payable to the General Fund is due to the timing of the collection of Federal grant receipts. The Payroll Agency Fund interfund payable to the General Fund is due to a remaining prior year balance not turned over by year end.

NOTE 16. OPERATING LEASES PAYABLE

The District has commitments to lease copiers under three five-year operating leases which expire in the fiscal years 2021-22, 2022-23 and 2023-24. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2021	\$ 97,176
June 30, 2022	90,926
June 30, 2023	50,240
June 30, 2024	25,375
Total future minimum lease payments	<u>\$ 263,717</u>

NOTE 17. ACCOUNTS PAYABLE

Payables as of June 30, 2020 were as follows:

	<u>Governmental Funds</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities Proprietary Funds</u>
	<u>General Fund</u>			
Due to State of New Jersey		\$ 565,705	\$ 565,705	
Salaries	\$ 1,199,686		1,199,686	
Cash Deficit				\$ 55
	<u>\$ 1,199,686</u>	<u>\$ 565,705</u>	<u>\$ 1,765,391</u>	<u>\$ 55</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. The District's state aid in the General Fund was reduced after their budget was adopted due to the reduction of state aid provided to certain school districts by the State of New Jersey. Also, there have been additional operating expenses in the General Fund that were not planned or expected at the time of the approval of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Service Enterprise Fund will likely be impacted by COVID-19 for the fiscal year ending June 30, 2021 as it is expected that the number of meals served will significantly decrease during the school year as a result of the pandemic. The District's Enrichment Program Enterprise Fund will likely be impacted by COVID-19 for the fiscal year ending June 30, 2021 as it is expected that the pandemic will affect operations.

**SCHEDULES OF
REQUIRED SUPPLEMENTARY INFORMATION**

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's Proportion of the Net Pension Liability	0.0406411768%	0.0437210765%	0.0460686155%	0.0486587120%	0.0488400797%
District's Proportionate Share of the Net Pension Liability	\$ 7,609,140	\$ 9,814,506	\$ 13,644,203	\$ 11,326,970	\$ 9,616,368
District's Covered Employee Payroll	\$ 2,986,913	\$ 3,155,047	\$ 3,306,119	\$ 3,307,672	\$ 3,558,963
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	254.75%	311.07%	412.70%	342.45%	270.20%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%	53.60%
	Fiscal Year Ending June 30, 2020				
District's Proportion of the Net Pension Liability	0.0505060404%				
District's Proportionate Share of the Net Pension Liability	\$ 9,100,422				
District's Covered Employee Payroll	\$ 3,656,473				
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	248.89%				
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	56.27%				

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 327,943	\$ 375,884	\$ 409,267	\$ 469,189	\$ 488,289
Contributions in relation to the Contractually Required Contribution	<u>(327,943)</u>	<u>(375,884)</u>	<u>(409,267)</u>	<u>(469,189)</u>	<u>(488,289)</u>
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 3,155,047	\$ 3,306,119	\$ 3,307,672	\$ 3,558,963	\$ 3,656,473
Contributions as a percentage of Covered Employee Payroll	10.39%	11.37%	12.37%	13.18%	13.35%
	Fiscal Year Ending June 30, 2020				
Contractually Required Contribution	\$ 493,688				
Contributions in relation to the Contractually Required Contribution	<u>(493,688)</u>				
Contribution Deficiency/(Excess)	<u>\$ -0-</u>				
District's Covered Employee Payroll	\$ 3,860,962				
Contributions as a percentage of Covered Employee Payroll	12.79%				

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's Proportion of the Net Pension Liability attributable to the District	0.1627893584%	0.1573076996%	0.1598515577%	0.1616932703%	0.1663393125%
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 84,305,810	\$ 99,425,184	\$ 125,749,413	\$ 109,019,433	\$ 105,821,498
District's Covered Employee Payroll	\$ 16,179,613	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034	\$ 17,815,642
State's Proportionate Share of the Net Pension Liability attributable to the District as a percentage of the District's Covered Employee Payroll	521.06%	601.64%	744.92%	646.42%	593.98%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%	26.49%
	<u>Fiscal Year</u> <u>Ending June 30,</u> <u>2020</u>				
State's Proportion of the Net Pension Liability attributable to the District	0.1621803979%				
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 99,531,641				
District's Covered Employee Payroll	\$ 18,279,018				
State's Proportionate Share of the Net Pension Liability attributable to the District as a percentage of the District's Covered Employee Payroll	544.51%				
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	26.95%				

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

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

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 4,536,444	\$ 6,070,803	\$ 9,448,319	\$ 7,552,314	\$ 6,169,023
Contributions in relation to the Contractually Required Contribution	(793,383)	(1,219,106)	(1,755,138)	(2,449,591)	(3,189,696)
Contribution Deficiency/(Excess)	<u>\$ 3,743,061</u>	<u>\$ 4,851,697</u>	<u>\$ 7,693,181</u>	<u>\$ 5,102,723</u>	<u>\$ 2,979,327</u>
District's Covered Employee Payroll	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034	\$ 17,815,642	\$ 18,279,018
Contributions as a percentage of Covered Employee Payroll	4.80%	7.22%	10.41%	13.75%	17.45%
	<u>Fiscal Year</u> <u>Ending June 30,</u> <u>2020</u>				
Contractually Required Contribution	\$ 5,870,642				
Contributions in relation to the Contractually Required Contribution	(3,588,148)				
Contribution Deficiency/(Excess)	<u>\$ 2,282,494</u>				
District's Covered Employee Payroll	\$ 18,094,806				
Contributions as a percentage of Covered Employee Payroll	19.83%				

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

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL
OPEB LIABILITY ATTRIBUTABLE TO THE DISTRICT AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Fiscal Year Ending June 30,		
	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 2,334,677	\$ 2,669,302	\$ 3,213,423
Interest Cost	2,532,735	2,768,332	2,391,220
Difference Between Expected and Actual Experience	(9,533,529)	(7,949,087)	
Changes in Assumptions	871,304	(7,341,194)	(9,968,959)
Member Contributions	53,175	59,121	64,373
Gross Benefit Payments	(1,793,850)	(1,710,609)	(1,748,205)
Net Change in Total OPEB Liability	(5,535,488)	(11,504,135)	(6,048,148)
Total OPEB Liability - Beginning	63,972,758	75,476,893	81,525,041
Total OPEB Liability - Ending	<u>\$ 58,437,270</u>	<u>\$ 63,972,758</u>	<u>\$ 75,476,893</u>
District's Covered Employee Payroll *	\$ 21,374,605	\$ 20,172,706	\$ 20,187,023
Total OPEB Liability as a Percentage of Covered Employee Payroll	273%	317%	374%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 census data.

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	As of June 30,	
	2019	2018
Discount Rate	6.28%	5.66%
Municipal Bond Rate	3.50%	3.87%
Inflation Rate		2.25%
Inflation Rate:		
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026 Based on Age		1.65% - 4.15%
Through 2026 Based on Years of Service	2.00% - 6.00%	
Thereafter Based on Age		2.65% - 5.15%
Thereafter Based on Years of Service	3.00% - 7.00%	

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	As of June 30,	
	2019	2018
Discount Rate	5.60%	4.86%
Municipal Bond Rate	3.50%	3.87%
Inflation Rate		2.25%
Inflation Rate:		
Price	2.75%	
Wage	3.25%	
Salary Increases:		
2011 - 2026 Based on Age		1.55% - 4.55%
Through 2026 Based on Years of Service	1.55% - 4.45%	
Thereafter Based on Age		2.00% - 5.45%
Thereafter Based on Years of Service	2.75% - 5.65%	

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement 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. Post-retirement 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 MP-2017 scale.

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, 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 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.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 36,845,835		\$ 36,845,835	\$ 36,845,835	
Tuition from Individuals	29,070		29,070	5,870	\$ (23,200)
Tuition from Other LEAs Within the State	74,330		74,330	7,101	(74,330)
Interest Revenue					7,101
Interest Revenue - Capital Reserve	1,000		1,000	997	(3)
Miscellaneous	150,000		150,000	134,990	(15,010)
Total - Local Sources	37,100,235		37,100,235	36,994,793	(105,442)
State Sources:					
Transportation Aid	430,416		430,416	430,416	
Special Education Aid	1,272,749		1,272,749	1,272,749	
Security Aid	164,769		164,769	164,769	
Extraordinary Aid	449,999		449,999	899,134	449,135
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				3,588,148	3,588,148
Post-Retirement Medical Benefits (Non-Budgeted)				1,354,996	1,354,996
Non-Contributory Insurance (Non-Budgeted)				64,314	64,314
Long-Term Disability Insurance (Non-Budgeted)				1,805	1,805
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,293,441	1,293,441
Total State Sources	2,317,933		2,317,933	9,069,772	6,751,839
TOTAL REVENUES	39,418,168		39,418,168	46,064,565	6,646,397

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 298,740	\$ (55,080)	\$ 243,660	\$ 243,659	\$ 1
Grades 1-5 - Salaries of Teachers	3,206,387	82,891	3,289,278	3,289,260	18
Grades 6-8 - Salaries of Teachers	3,041,763	25,900	3,067,663	3,067,595	68
Grades 9-12 - Salaries of Teachers	4,178,670	13,035	4,191,705	4,191,601	104
Regular Programs - Home Instruction:					
Salaries of Teachers	17,000	(2,410)	14,590	14,555	35
Purchased Professional - Educational Services	25,925	4,100	30,025	29,038	987
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	152,860		152,860	151,729	1,131
Other Purchased Services (400-500 series)	182,438	(7,695)	174,743	164,506	10,237
General Supplies	541,172	(5,927)	535,245	439,792	95,453
Textbooks	83,327	(22,057)	61,270	53,185	8,085
Total Regular Programs - Instruction	11,728,282	32,757	11,761,039	11,644,920	116,119
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	180,765	(12,070)	168,695	168,695	
Other Salaries for Instruction	73,426	(42,140)	31,286	31,264	22
General Supplies	1,875	(625)	1,250	1,226	24
Total Learning and/or Language Disabilities	256,066	(54,835)	201,231	201,185	46
Auditory Impairments:					
Salaries of Teachers	36,779	(5,999)	30,780	30,780	
General Supplies	400		400	250	150
Total Auditory Impairments	37,179	(5,999)	31,180	31,030	150

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 167,262	\$ 4,069	\$ 171,331	\$ 171,330	\$ 1
Other Salaries for Instruction	63,002	(34,075)	28,927	28,927	
General Supplies	4,194		4,194	3,654	540
Total Multiple Disabilities	234,458	(30,006)	204,452	203,911	541
Resource Room/Resource Center:					
Salaries of Teachers	2,146,104	150,376	2,296,480	2,296,479	1
Other Salaries for Instruction	342,123	186,572	528,695	528,674	21
General Supplies	7,400		7,400	7,315	85
Total Resource Room/Resource Center	2,495,627	336,948	2,832,575	2,832,468	107
Autism:					
Salaries of Teachers	153,975	200	154,175	154,175	
Other Salaries for Instruction	158,713	52,542	211,255	211,246	9
General Supplies	4,725	(800)	3,925	3,891	34
Total Autism	317,413	51,942	369,355	369,312	43
Preschool Disabilities - Part-time:					
Salaries of Teachers	125,515	600	126,115	126,115	
Other Salaries for Instruction	73,580	(2,292)	71,288	71,287	1
General Supplies	1,702		1,702	585	1,117
Total Preschool Disabilities - Part-time	200,797	(1,692)	199,105	197,987	1,118
Home Instruction:					
Salaries of Teachers	15,000	43,510	58,510	58,452	58
Purchased Professional - Educational Services	25,000	(9,289)	15,711	7,546	8,165
Total Home Instruction	40,000	34,221	74,221	65,998	8,223

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Total Special Education Instruction	\$ 3,581,540	\$ 330,579	\$ 3,912,119	\$ 3,901,891	\$ 10,228
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	437,905	1	437,906	437,906	
General Supplies	3,000	(600)	2,400	2,233	167
Total Basic Skills/Remedial - Instruction	440,905	(599)	440,306	440,139	167
Bilingual Education - Instruction:					
Salaries of Teachers	44,872	1	44,873	44,873	
General Supplies	200		200	181	19
Total Bilingual Education - Instruction	45,072	1	45,073	45,054	19
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	209,096	8,084	217,180	217,136	44
Supplies and Materials	15,752	(4,000)	11,752	6,215	5,537
Other Objects	3,102	4,331	7,433	5,566	1,867
Total School-Sponsored Cocurricular Activities - Instruction	227,950	8,415	236,365	228,917	7,448
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	516,203	7,465	523,668	523,664	4
Purchased Services (300-500 series)	174,878	(60,700)	114,178	111,586	2,592
Supplies and Materials	126,238	(24,250)	101,988	90,190	11,798
Other Objects	30,200	(9,000)	21,200	21,157	43
Transfer to Cover Deficit (Agency Fund)	27,015	(15,200)	11,815	8,088	3,727
Total School-Sponsored Cocurricular Athletics - Instruction	874,534	(101,685)	772,849	754,685	18,164
Total Instruction	16,898,283	269,468	17,167,751	17,015,606	152,145

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		\$ 14,456	\$ 14,456	\$ 14,456	
Tuition to Other LEAs Within the State - Special	\$ 268,392	(73,508)	194,884	194,884	
Tuition to County Vocational Schools - Regular	163,255	(4,577)	158,678	158,678	
Tuition to County Vocational Schools - Special	50,779	(39,871)	10,908	10,898	\$ 10
Tuition to Private Schools for the Handicapped - Within State	1,730,676	(424,846)	1,305,830	1,297,227	8,603
Total Undistributed Expenditures - Instruction	2,213,102	(528,346)	1,684,756	1,676,143	8,613
Attendance and Social Work Services:					
Salaries	18,730	540	19,270	19,267	3
Total Attendance and Social Work Services	18,730	540	19,270	19,267	3
Health Services:					
Salaries	495,655	(8,965)	486,690	486,675	15
Purchased Professional and Technical Services	27,925	(5,755)	22,170	22,165	5
Supplies and Materials	11,230	7,970	19,200	7,516	11,684
Total Health Services	534,810	(6,750)	528,060	516,356	11,704
Other Support Services - Students - Speech OT, PT and Related Services:					
Salaries	449,618	41,513	491,131	491,130	1
Purchased Professional - Educational Services	59,208	(16,360)	42,848	36,249	6,599
Supplies and Materials	13,188	(1,384)	11,804	11,697	107
Total Other Support Services - Students - Speech OT, PT and Related Services	522,014	23,769	545,783	539,076	6,707
Other Support Services - Students - Extraordinary Services:					
Salaries	564,760	115,955	680,715	678,163	2,552
Purchased Professional - Educational Services	763,761	(231,107)	532,654	471,289	61,365
Total Other Support Services - Students - Extraordinary Services	1,328,521	(115,152)	1,213,369	1,149,452	63,917

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 877,787	\$ 5,137	\$ 882,924	\$ 882,918	\$ 6
Salaries of Secretarial and Clerical Assistants	111,322	(9,693)	101,629	101,629	
Supplies and Materials	42,550	(8,000)	34,550	27,249	7,301
Total Other Support Services - Students - Guidance	1,031,659	(12,556)	1,019,103	1,011,796	7,307
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	942,405	(21,295)	921,110	921,091	19
Salaries of Secretarial and Clerical Assistants	86,341	8,639	94,980	94,958	22
Purchased Professional - Educational Services	45,250	(22,843)	22,407	16,708	5,699
Other Purchased Services	20,373	3,726	24,099	19,950	4,149
Supplies and Materials	14,571	(173)	14,398	13,926	472
Other Objects	6,059	(1,295)	4,764	2,474	2,290
Total Other Support Services - Students - Child Study Teams	1,114,999	(33,241)	1,081,758	1,069,107	12,651
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	483,139	46,421	529,560	529,559	1
Salaries of Other Professional Staff	45,315	18,870	64,185	64,184	1
Purchased Professional - Educational Services	29,022	(4,923)	24,099	19,741	4,358
Other Purchased Services (400-500 series)	6,539	(4,995)	1,544	997	547
Supplies and Materials	22,357	4,745	27,102	27,074	28
Other Objects	5,106	5,173	10,279	9,814	465
Total Improvement of Instructional Services	591,478	65,291	656,769	651,369	5,400

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 391,062	\$ 2	\$ 391,064	\$ 390,993	\$ 71
Salaries of Technology Coordinators	187,605	2,760	190,365	189,520	845
Supplies and Materials	48,595	(4,500)	44,095	42,955	1,140
Other Objects	2,860	(2,860)			
Total Educational Media Services/School Library	630,122	(4,598)	625,524	623,468	2,056
Instructional Staff Training Services:					
Salaries of Other Professional Staff	23,014	(22,067)	947	945	2
Purchased Professional - Educational Services	45,385	(7,561)	37,824	37,391	433
Other Purchased Services (400-500 series)	44,450	(593)	43,857	23,310	20,547
Supplies and Materials	4,471	20,543	25,014	6,891	18,123
Total Instructional Staff Training Services	117,320	(9,678)	107,642	68,537	39,105
Support Services - General Administration:					
Salaries	267,770	(4,692)	263,078	263,075	3
Legal Services	122,128	24,724	146,852	116,852	30,000
Audit Fees	37,500	750	38,250	38,250	
Other Purchased Professional Services	5,200	1,485	6,685	6,685	
Communications/Telephone	100,000	37,261	137,261	133,337	3,924
BOE Other Purchased Services	3,760	(700)	3,060	2,776	284
Miscellaneous Purchased Services (400-500 series)	15,300	(8,353)	6,947	4,464	2,483
General Supplies	5,850	(3,054)	2,796	2,796	
Judgments Against District		77,413	77,413	77,413	
Miscellaneous Expenditures	2,500	3,050	5,550	4,919	631
BOE Membership Dues and Fees	19,900	(925)	18,975	18,562	413
Total Support Services - General Administration	579,908	126,959	706,867	669,129	37,738

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,311,992	\$ (53,509)	\$ 1,258,483	\$ 1,258,464	\$ 19
Salaries of Secretarial and Clerical Assistants	400,074	9,305	409,379	409,335	44
Purchased Professional and Technical Services	9,700	(1,900)	7,800	6,806	994
Other Purchased Services (400-500 series)	133,847	(14,100)	119,747	108,947	10,800
Supplies and Materials	16,501	(1,001)	15,500	11,947	3,553
Other Objects	11,979		11,979	11,654	325
Total Support Services - School Administration	1,884,093	(61,205)	1,822,888	1,807,153	15,735
Central Services:					
Salaries	364,053	(7,606)	356,447	356,411	36
Purchased Professional Services	5,200	2,255	7,455	7,454	1
Purchased Technical Services	26,000	3,382	29,382	29,380	2
Miscellaneous Purchased Services (400-500 series)	8,254	203	8,457	8,374	83
Supplies and Materials	8,032	7,846	15,878	15,585	293
Other Objects	2,815	205	3,020	3,020	
Total Central Services	414,354	6,285	420,639	420,224	415
Administration Information Technology:					
Salaries	90,818	1	90,819	90,819	
Purchased Technical Services	11,000	(10,982)	18		18
Total Administration Information Technology	101,818	(10,981)	90,837	90,819	18

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 157,615	\$ 22,977	\$ 180,592	\$ 180,590	\$ 2
Cleaning, Repair and Maintenance Services	254,191	(14,435)	239,756	216,700	23,056
General Supplies	47,260	11,481	58,741	57,300	1,441
Total Required Maintenance of School Facilities	459,066	20,023	479,089	454,590	24,499
Custodial Services:					
Salaries	1,166,831	10,840	1,177,671	1,176,842	829
Salaries of Non-Instructional Aides	84,045	3,255	87,300	87,297	3
Purchased Professional and Technical Services	44,850	18,562	63,412	47,325	16,087
Cleaning, Repair and Maintenance Services	136,514	(4,370)	132,144	115,914	16,230
Other Purchased Property Services	110,440	(5,105)	105,335	104,110	1,225
Insurance	252,265	(748)	251,517	251,463	54
General Supplies	122,879	(21,527)	101,352	84,902	16,450
Energy (Natural Gas)	121,134	76,560	197,694	164,721	32,973
Energy (Electricity)	420,000	7,738	427,738	384,233	43,505
Other Objects	23,575		23,575	13,804	9,771
Total Custodial Services	2,482,533	85,205	2,567,738	2,430,611	137,127
Care and Upkeep of Grounds:					
Salaries	161,705	(27,000)	134,705	134,694	11
Cleaning, Repair & Maintenance Services	143,743	31,634	175,377	167,386	7,991
General Supplies	64,708	(24,958)	39,750	30,041	9,709
Total Care and Upkeep of Grounds	370,156	(20,324)	349,832	332,121	17,711
Security:					
Purchased Professional and Technical Services	90,000		90,000	90,000	
General Supplies	25,927	(8,800)	17,127	8,517	8,610
Total Security	115,927	(8,800)	107,127	98,517	8,610

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Non-Instructional Aides	\$ 50,000	\$ (30,188)	\$ 19,812	\$ 19,812	
Between Home and School - Regular	439,594	49,512	489,106	489,079	\$ 27
Cleaning, Repair, & Maintenance Services	68,588		68,588	63,272	5,316
Lease Purchase Payments - School Buses	66,650		66,650	57,121	9,529
Contracted Services:					
Aid in Lieu Payments - Nonpublic Students	81,040	(20,000)	61,040	40,540	20,500
Between Home and School - Vendors	905,472		905,472	890,820	14,652
Other than Between Home and School - Vendors	95,010	(810)	94,200	13,576	80,624
Special Education - ESC's & CTSA's	737,488	21,000	758,488	710,549	47,939
Travel	300		300	100	200
Miscellaneous Purchased Services - Transportation	5,600		5,600	1,100	4,500
General Supplies	59,393	(32,044)	27,349	16,367	10,982
Other Objects	1,060		1,060	700	360
Total Student Transportation Services	2,510,195	(12,530)	2,497,665	2,303,036	194,629
Unallocated Benefits:					
Social Security Contributions	468,000		468,000	466,858	1,142
Other Retirement Contributions - PERS	498,000	(3,178)	494,822	493,688	1,134
Other Retirement Contributions - Regular		18,948	18,948	18,948	
Unemployment Compensation	7,000	(7,000)			
Workmen's Compensation	215,000	(7,661)	207,339	207,030	309
Health Benefits	4,475,549	216,420	4,691,969	4,671,130	20,839
Tuition Reimbursement	160,661	(17,147)	143,514	125,572	17,942
Other Employee Benefits	137,385	(136,726)	659	658	1
Unused Sick Payment to Terminated/Retired Staff	44,260	68,103	112,363	112,363	
Total Unallocated Benefits	6,005,855	131,759	6,137,614	6,096,247	41,367

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				\$ 3,588,148	\$ (3,588,148)
Post-Retirement Medical Benefits (Non-Budgeted)				1,354,996	(1,354,996)
Non-Contributory Insurance (Non-Budgeted)				64,314	(64,314)
Long-Term Disability Insurance (Non-Budgeted)				1,805	(1,805)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,293,441	(1,293,441)
Total On-Behalf and Reimbursed TPAF Contributions				6,302,704	(6,302,704)
Total Personal Services - Employee Benefits	\$ 6,005,855	\$ 131,759	\$ 6,137,614	12,398,951	(6,261,337)
Total Undistributed Expenses	23,026,660	(364,330)	22,662,330	28,329,722	(5,667,392)
TOTAL CURRENT EXPENSE	39,924,943	(94,862)	39,830,081	45,345,328	(5,515,247)
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12				4,930	54,687
Undistributed Expenditures:					
Security	13,985		13,985	13,985	
Total Equipment	13,985	59,617	73,602	18,915	54,687

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 633,772	\$ 7,000	\$ 7,000	\$ 7,000	\$ 330,245
Infrastructure	58,083		633,772	303,527	
Other Objects - Debt Service Assessment			58,083	58,083	
Total Facilities Acquisition and Construction Services	691,855	7,000	698,855	368,610	330,245
TOTAL CAPITAL OUTLAY	705,840	66,617	772,457	387,525	384,932
Transfer of Funds to Charter Schools	29,741	28,245	57,986	57,986	
TOTAL EXPENDITURES	40,660,524		40,660,524	45,790,839	(5,130,315)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,242,356)		(1,242,356)	273,726	1,516,082
Fund Balance, July 1	4,224,733		4,224,733	4,224,733	
Fund Balance, June 30	\$ 2,982,377	\$ -0-	\$ 2,982,377	\$ 4,498,459	\$ 1,516,082
Recapitulation:					
Restricted for Capital Reserve				\$ 2,361,617	
Assigned:					
Year-end Encumbrances				719,544	
For Subsequent Year's Expenditures				178,400	
Unassigned				1,238,898	
				4,498,459	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(180,985)	
Fund Balance per Governmental Fund on (Exhibit B-2)				\$ 4,317,474	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 5,707		\$ 5,707	\$ 5,707	
Federal Sources	489,045	\$ 26,760	515,805	440,096	\$ (75,709)
Local Sources	38,581	900	39,481	39,481	
Total Revenues	<u>533,333</u>	<u>27,660</u>	<u>560,993</u>	<u>485,284</u>	<u>(75,709)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	36,287	10,000	46,287	24,979	21,308
Tuition	371,498	60	371,558	371,498	60
General Supplies	17,162	(1,500)	15,662	14,983	679
Textbooks	896		896	896	
Other Objects	38,581	900	39,481	39,481	
Total Instruction	<u>464,424</u>	<u>9,460</u>	<u>473,884</u>	<u>451,837</u>	<u>22,047</u>
Support Services:					
Personal Services - Employee Benefits	3,950		3,950	3,950	
Purchased Professional and Technical Services	18,649		18,649	8,649	10,000
Other Purchased Services	40,000	(12,005)	27,995	15,224	12,771
Supplies and Materials	6,310	30,205	36,515	5,624	30,891
Total Support Services	<u>68,909</u>	<u>18,200</u>	<u>87,109</u>	<u>33,447</u>	<u>53,662</u>
Total Expenditures	<u>533,333</u>	<u>27,660</u>	<u>560,993</u>	<u>485,284</u>	<u>75,709</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 46,064,565	\$ 485,284
Differences - Budgetary to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(21,124)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	166,433	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(180,985)	
	\$ 46,050,013	\$ 464,160
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 45,790,839	\$ 485,284
Differences - Budgetary 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.		(21,124)
	\$ 45,790,839	\$ 464,160

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2020, were submitted to the County office and were approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Elementary and Secondary Education Act		IDEA Part B		IDEA Part B		Non-Public Textbook
	Title I	Title IIA	Basic	Preschool	Preschool	Textbook	
REVENUE:							
State Sources							
Federal Sources	\$ 35,368	\$ 13,493	\$ 374,498	\$ 16,737	\$ 16,737	\$ 896	
Local Sources							
Total Revenue	\$ 35,368	\$ 13,493	\$ 374,498	\$ 16,737	\$ 16,737	\$ 896	
EXPENDITURES:							
Instruction:							
Salaries of Teachers	\$ 13,483	\$ 209			\$ 11,287		
Tuition			\$ 371,498				
General Supplies	7,321		3,000		1,500		\$ 896
Textbooks							
Other Objects							
Total Instruction	20,804	209	374,498	12,787	12,787	896	
Support Services:							
Personal Service - Employee Benefits					3,950		
Purchased Professional and Technical Services	7,000						
Other Purchased Services	7,377	7,847					
Supplies and Materials	187	5,437					
Total Support Services	14,564	13,284			3,950		
Total Expenditures	\$ 35,368	\$ 13,493	\$ 374,498	\$ 16,737	\$ 16,737	\$ 896	

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Non-Public Nursing	Non-Public Security	Non-Public Technology	Local Grants	Totals June 30, 2020
REVENUE:					
State Sources	\$ 1,649	\$ 2,550	\$ 612		\$ 5,707
Federal Sources					440,096
Local Sources				\$ 39,481	39,481
Total Revenue	\$ 1,649	\$ 2,550	\$ 612	\$ 39,481	\$ 485,284
EXPENDITURES:					
Instruction:					
Salaries of Teachers					\$ 24,979
Tuition					371,498
General Supplies		\$ 2,550	\$ 612		14,983
Textbooks					896
Other Objects				\$ 39,481	39,481
Total Instruction		2,550	612	39,481	451,837
Support Services:					
Personal Service - Employee Benefits					3,950
Purchased Professional and Technical Services	\$ 1,649				8,649
Other Purchased Services					15,224
Supplies and Materials					5,624
Total Support Services	1,649				33,447
Total Expenditures	\$ 1,649	\$ 2,550	\$ 612	\$ 39,481	\$ 485,284

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents		\$ 266,077	\$ 266,077
Accounts Receivable:			
Federal	\$ 995		995
State	971		971
Interfund Receivable	10,607		10,607
Inventories	24,462		24,462
Total Current Assets	37,035	266,077	303,112
Non-Current Assets:			
Capital Assets	414,731		414,731
Less: Accumulated Depreciation	(367,884)		(367,884)
Total Non-Current Assets	46,847		46,847
Total Assets	83,882	266,077	349,959
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Cash Deficit	55		55
Unearned Revenue - Prepaid Sales	27,738		27,738
Unearned Revenue - Donated Commodities	5,145		5,145
Total Current Liabilities	32,938		32,938
<u>NET POSITION:</u>			
Investment in Capital Assets	46,847		46,847
Unrestricted	4,097	266,077	270,174
Total Net Position	\$ 50,944	\$ 266,077	\$ 317,021

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 113,788		\$ 113,788
Daily Sales - Non-Reimbursable Programs	208,036		208,036
Program Fees		\$ 198,446	198,446
Total Operating Revenue	321,824	198,446	520,270
Operating Expenses:			
Cost of Sales - Reimbursable Programs	80,630		80,630
Cost of Sales - Non-Reimbursable Programs	102,154		102,154
Salaries, Benefits & Payroll Taxes	173,081	211,229	384,310
Employee Benefits		10,901	10,901
Management Fee	17,250		17,250
Professional and Technical Services	225	6,528	6,753
Depreciation Expense	9,204		9,204
Supplies and Materials	20,194	10,867	31,061
Administrative Expenses	3,564	16,150	19,714
Total Operating Expenses	406,302	255,675	661,977
Operating (Loss)	(84,478)	(57,229)	(141,707)
Non-Operating Income:			
Local Sources:			
Interest Income		698	698
State Sources:			
State School Lunch Program	2,641		2,641
State School Lunch Program:			
COVID-19 Seamless Summer Option	84		84
Supplemental	955		955
Federal Sources:			
National School Lunch Program	34,576		34,576
National School Lunch Program -			
COVID-19 Seamless Summer Option	5,290		5,290
Food Distribution Program	25,431		25,431
Total Non-Operating Income	68,977	698	69,675
Change in Net Position Before Other Item	(15,501)	(56,531)	(72,032)
Other Item - Disposal of Capital Assets, Net	(929)		(929)
Change in Net Position	(16,430)	(56,531)	(72,961)
Net Position - Beginning of Year	67,374	322,608	389,982
Net Position - End of Year	\$ 50,944	\$ 266,077	\$ 317,021

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 330,754	\$ 198,446	\$ 529,200
Payments to Employees		(211,229)	(211,229)
Payments for Benefits		(10,901)	(10,901)
Payments to Food Service Vendor	(368,698)		(368,698)
Payments to Suppliers	(13,255)	(17,395)	(30,650)
Payments for Administrative Expenses		(16,150)	(16,150)
Net Cash (Used for) Operating Activities	<u>(51,199)</u>	<u>(57,229)</u>	<u>(108,428)</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(6,719)		(6,719)
Net Cash (Used for) Capital Financing Activities	<u>(6,719)</u>		<u>(6,719)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	44,993		44,993
Net Cash Provided by Noncapital Financing Activities	<u>44,993</u>		<u>44,993</u>
Cash Flows from Investing Activities:			
Interest Earned		698	698
Net Cash Flows Provided by Investing Activities		<u>698</u>	<u>698</u>
Net (Decrease) in Cash and Cash Equivalents	(12,925)	(56,531)	(69,456)
Cash and Cash Equivalents, July 1	12,870	322,608	335,478
Cash and Cash Equivalents/(Deficit), June 30	<u>\$ (55)</u>	<u>\$ 266,077</u>	<u>\$ 266,022</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (84,478)	\$ (57,229)	\$ (141,707)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:			
Federal Food Distribution Program	25,431		25,431
Depreciation Expense	9,204		9,204
Changes in Assets and Liabilities:			
(Increase) in Inventory	(13,773)		(13,773)
Increase in Prepaid Sales	8,930		8,930
Increase in Unearned Revenue	3,487		3,487
Net Cash (Used for) Operating Activities	<u>\$ (51,199)</u>	<u>\$ (57,229)</u>	<u>\$ (108,428)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$28,918 and utilized \$25,431 for the fiscal year ended June 30, 2020.

FIDUCIARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Student Activity	Agency Payroll	Totals
<u>ASSETS:</u>						
Cash and Cash Equivalents	\$ 148,167	\$ 31,037	\$ 223,855	\$ 162,299	\$ 228,575	\$ 793,933
Total Assets	148,167	31,037	223,855	162,299	228,575	793,933
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings					226,000	226,000
Interfund Payable General Fund					2,575	2,575
Due to Student Groups				162,299		162,299
Total Liabilities				162,299	228,575	390,874
<u>NET POSITION:</u>						
Held in Trust for:						
Flexible Spending Claims		31,037				31,037
Unemployment Claims	148,167					148,167
Restricted for Scholarships			223,855			223,855
Total Net Position	\$ 148,167	\$ 31,037	\$ 223,855	\$ -0-	\$ -0-	\$ 403,059

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 76,181	\$ 55,550		\$ 131,731
Donations			\$ 45,000	45,000
Total Contributions	76,181	55,550	45,000	176,731
Investment Earnings:				
Interest	274	35	378	687
Total Investment Earnings	274	35	378	687
Total Additions	76,455	55,585	45,378	177,418
DEDUCTIONS:				
Flexible Spending Claims		44,803		44,803
Unemployment Compensation Claims	73,907			73,907
Scholarships Awarded			64,750	64,750
Total Deductions	73,907	44,803	64,750	183,460
Change in Net Position	2,548	10,782	(19,372)	(6,042)
Net Position - Beginning of the Year	145,619	20,255	243,227	409,101
Net Position - End of the Year	\$ 148,167	\$ 31,037	\$ 223,855	\$ 403,059

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 261,518	\$ 368,984	\$ 468,203	\$ 162,299
Total Assets	<u>\$ 261,518</u>	<u>\$ 368,984</u>	<u>\$ 468,203</u>	<u>\$ 162,299</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 261,518	\$ 368,984	\$ 468,203	\$ 162,299
Total Liabilities	<u>\$ 261,518</u>	<u>\$ 368,984</u>	<u>\$ 468,203</u>	<u>\$ 162,299</u>

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 21,388	\$ 7,890	\$ 12,593	\$ 16,685
Stony Brook School Activity Account	34,197	25,424	47,485	12,136
Pearl R. Miller Middle School Activity Account	59,632	128,311	149,459	38,484
Kinnelon High School:	146,301	207,359	258,666	94,994
	<u>\$ 261,518</u>	<u>\$ 368,984</u>	<u>\$ 468,203</u>	<u>\$ 162,299</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2019	Matured	Balance June 30, 2020
			Date	Outstanding June 30, 2020 Amount				
Refunding Bond of 2002 Issue	9/14/10	\$ 9,980,000	10/1/20	\$ 970,000	4.00%			
			10/1/21	960,000	3.00%			
			10/1/22	945,000	3.125%			
			10/1/23	930,000	3.25%	\$ 4,780,000	\$ 975,000	\$ 3,805,000
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	2/1/21	25,000	2.00%			
			2/1/22	25,000	2.00%			
			2/1/23	60,000	3.00%			
			2/1/24	115,000	3.00%			
			2/1/25	910,000	5.00%			
			2/1/26	1,015,000	5.00%			
			2/1/27	1,120,000	4.25%			
			2/1/28	1,215,000	5.00%			
			2/1/29	1,285,000	4.50%			
			2/1/30	1,325,000	4.50%			
			2/1/31	1,345,000	4.75%			
		2/1/32	1,370,000	4.75%				
		2/1/33	1,395,000	4.75%				
						11,215,000	10,000	11,205,000
						<u>\$ 15,995,000</u>	<u>\$ 985,000</u>	<u>\$ 15,010,000</u>

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2019</u>	<u>Matured</u>	<u>Balance June 30, 2020</u>
2016 Bus Lease	1.98%	\$ 273,737	\$ 56,012	\$ 56,012	
			<u>\$ 56,012</u>	<u>\$ 56,012</u>	<u>\$ - 0 -</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,588,733		\$ 1,588,733	\$ 1,588,733	
State Sources:					
Debt Service Type II Aid	66,848		66,848	66,848	
Total Revenue	<u>1,655,581</u>		<u>1,655,581</u>	<u>1,655,581</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	670,581		670,581	670,581	
Redemption of Principal	985,000		985,000	985,000	
Total Regular Debt Service	<u>1,655,581</u>		<u>1,655,581</u>	<u>1,655,581</u>	
Total Expenditures	<u>1,655,581</u>		<u>1,655,581</u>	<u>1,655,581</u>	
Fund Balance, July 1	<u>-0-</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>-0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637	\$ 16,435,098	\$ 18,590,309
Special education	3,520,191	3,720,193	3,911,881	3,852,677	4,863,506
Other special education	286,979	283,982	395,358	488,137	712,248
Other instruction	1,129,720	1,170,137	1,246,967	1,096,947	1,461,012
Support Services:					
Tuition	1,316,906	1,355,161	1,395,101	1,608,863	1,623,287
Student & instruction related services	4,496,137	4,888,666	5,244,472	5,511,218	6,644,710
General and business administrative services	676,984	102,026	603,063	559,512	610,548
School Administrative Services	2,126,715	581,074	2,295,163	2,263,211	2,418,495
Central Services	566,110	2,124,580	571,202	550,833	569,105
Administrative Technology Information	122,051	591,272	109,973	107,629	162,512
Plant operations and maintenance	3,356,498	3,298,665	3,803,463	3,766,137	3,997,483
Pupil transportation	2,031,790	1,918,266	1,922,290	1,954,847	2,113,636
Interest on long-term debt	973,545	1,121,860	1,055,853	979,029	864,449
Unallocated depreciation					
Capital Outlay	72,775	42,322	58,083	60,439	58,083
Total governmental activities expenses	<u>35,796,478</u>	<u>36,911,696</u>	<u>39,544,506</u>	<u>39,234,577</u>	<u>44,689,383</u>
Business-type activities:					
Food service	617,556	592,740	578,749	528,907	549,686
Enrichment Program	145,497	127,288	146,572	234,677	227,538
Total business-type activities expense	<u>763,053</u>	<u>720,028</u>	<u>725,321</u>	<u>763,584</u>	<u>777,224</u>
Total district expenses	<u>\$ 36,559,531</u>	<u>\$ 37,631,724</u>	<u>\$ 40,269,827</u>	<u>\$ 39,998,161</u>	<u>\$ 45,466,607</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)					
Operating grants and contributions	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053	\$ 5,208,200	\$ 9,539,898
Total governmental activities program revenues	<u>3,745,734</u>	<u>4,804,944</u>	<u>5,672,053</u>	<u>5,208,200</u>	<u>9,539,898</u>
Business-type activities:					
Charges for services:					
Food service	537,947	531,592	458,163	446,576	439,512
Enrichment Program	159,806	136,362	194,639	274,399	288,389
Operating grants and contributions	58,399	83,173	84,037	71,737	72,344
Total business type activities program revenues	<u>756,152</u>	<u>751,127</u>	<u>736,839</u>	<u>792,712</u>	<u>800,245</u>
Total district program revenues	<u>\$ 4,501,886</u>	<u>\$ 5,556,071</u>	<u>\$ 6,408,892</u>	<u>\$ 6,000,912</u>	<u>\$ 10,340,143</u>
Net (Expense)/Revenue					
Governmental activities	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)	\$ (34,026,377)	\$ (35,149,485)
Business-type activities	(6,901)	31,099	11,518	29,128	23,021
Total district-wide net expense	<u>\$ (32,057,645)</u>	<u>\$ (32,075,653)</u>	<u>\$ (33,860,935)</u>	<u>\$ (33,997,249)</u>	<u>\$ (35,126,464)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023	\$ 32,102,343	\$ 32,480,021
Taxes levied for debt service	2,469,272	2,434,758	2,662,364	2,162,403	2,193,150
Federal and State Aid Not Restricted	68,862	68,759	68,656	68,553	193,264
Miscellaneous income	281,312	401,588	262,855	302,636	240,951
Transfers	106	228	134	183	163
Total governmental activities	<u>32,919,535</u>	<u>33,607,316</u>	<u>34,310,032</u>	<u>34,636,118</u>	<u>35,107,549</u>
Business-type activities:					
Miscellaneous income	144	353	277	431	526
Transfers	(106)	(228)	(134)	(183)	(163)
Other Item - Disposal of Capital Assets	(2,400)				
Total business-type activities	<u>(2,362)</u>	<u>125</u>	<u>143</u>	<u>248</u>	<u>363</u>
Total district-wide	<u>\$ 32,917,173</u>	<u>\$ 33,607,441</u>	<u>\$ 34,310,175</u>	<u>\$ 34,636,366</u>	<u>\$ 35,107,912</u>
Change in Net Position					
Governmental activities	\$ 868,791	\$ 1,500,564	\$ 437,579	\$ 609,741	\$ (41,936)
Business-type activities	(9,263)	31,224	11,661	29,376	23,384
Total district	<u>\$ 859,528</u>	<u>\$ 1,531,788</u>	<u>\$ 449,240</u>	<u>\$ 639,117</u>	<u>\$ (18,552)</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 19,783,406	\$ 21,089,444	\$ 21,601,378	\$ 19,088,105	\$ 18,550,528
Special education	5,415,147	6,247,293	6,282,372	6,155,701	6,348,241
Other special education	659,958	818,422	910,277	809,382	786,492
Other instruction	1,672,943	1,688,933	1,286,333	1,225,122	1,239,085
Support Services:					
Tuition	1,607,359	1,700,591	1,653,250	2,096,440	2,037,471
Student & instruction related services	7,058,106	8,307,308	9,192,350	8,666,561	8,734,204
General and business administrative services	676,806	785,407	807,556	774,726	831,224
School Administrative Services	2,783,629	3,213,866	3,180,534	2,987,848	2,849,379
Central Services	571,136	673,781	561,776	532,865	543,142
Administrative Technology Information	134,457	81,520	141,260	90,590	122,140
Plant operations and maintenance	3,744,103	4,078,236	4,554,839	4,554,978	4,219,230
Pupil transportation	2,002,699	2,195,396	2,220,667	2,413,206	2,439,674
Transfer of Funds to Charter Schools				28,505	57,986
Interest on long-term debt	769,935	883,193	701,028	656,078	617,370
Unallocated depreciation			1,157,907	1,125,868	1,124,519
Capital Outlay	527,518	331,894			
Total governmental activities expenses	<u>47,407,202</u>	<u>52,095,284</u>	<u>54,251,527</u>	<u>51,205,975</u>	<u>50,500,685</u>
Business-type activities:					
Food service	576,502	604,748	615,889	600,531	406,302
Enrichment Program	269,553	258,769	243,759	254,929	255,675
Total business-type activities expense	<u>846,055</u>	<u>863,517</u>	<u>859,648</u>	<u>855,460</u>	<u>661,977</u>
Total district expenses	<u>\$ 48,253,257</u>	<u>\$ 52,958,801</u>	<u>\$ 55,111,175</u>	<u>\$ 52,061,435</u>	<u>\$ 51,162,662</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)	\$ 95,199	\$ 92,001	\$ 65,469	\$ 114,297	\$ 5,870
Operating grants and contributions	11,336,746	14,824,450	16,195,716	13,597,932	11,788,986
Total governmental activities program revenues	<u>11,431,945</u>	<u>14,916,451</u>	<u>16,261,185</u>	<u>13,712,229</u>	<u>11,794,856</u>
Business-type activities:					
Charges for services:					
Food service	502,430	504,814	504,441	501,694	321,824
Enrichment Program	300,105	302,300	301,111	259,342	198,446
Operating grants and contributions	77,617	79,498	90,196	84,349	68,977
Total business type activities program revenues	<u>880,152</u>	<u>886,612</u>	<u>895,748</u>	<u>845,385</u>	<u>589,247</u>
Total district program revenues	<u>\$ 12,312,097</u>	<u>\$ 15,803,063</u>	<u>\$ 17,156,933</u>	<u>\$ 14,557,614</u>	<u>\$ 12,384,103</u>
Net (Expense)/Revenue					
Governmental activities	\$ (35,975,257)	\$ (37,178,833)	\$ (37,990,342)	\$ (37,493,746)	\$ (38,705,829)
Business-type activities	34,097	23,095	36,100	(10,075)	(72,730)
Total district-wide net expense	<u>\$ (35,941,160)</u>	<u>\$ (37,155,738)</u>	<u>\$ (37,954,242)</u>	<u>\$ (37,503,821)</u>	<u>\$ (38,778,559)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 33,389,621	\$ 34,386,899	\$ 35,415,067	\$ 36,123,368	\$ 36,845,835
Taxes levied for debt service	2,123,789	2,127,453	2,100,548	1,596,669	1,588,733
Federal and State Aid Not Restricted	69,550	59,428		2,854	
Miscellaneous income	294,281	198,550	168,724	161,041	143,088
Transfers					
Total governmental activities	<u>35,877,241</u>	<u>36,772,330</u>	<u>37,684,339</u>	<u>37,883,932</u>	<u>38,577,656</u>
Business-type activities:					
Miscellaneous income	439	546	666	677	698
Transfers					
Other Item - Disposal of Capital Assets			(6,264)		(929)
Total business-type activities	<u>439</u>	<u>546</u>	<u>(5,598)</u>	<u>677</u>	<u>(231)</u>
Total district-wide	<u>\$ 35,877,680</u>	<u>\$ 36,772,876</u>	<u>\$ 37,678,741</u>	<u>\$ 37,884,609</u>	<u>\$ 38,577,425</u>
Change in Net Position					
Governmental activities	\$ (98,016)	\$ (406,503)	\$ (306,003)	\$ 390,186	\$ (128,173)
Business-type activities	34,536	23,641	30,502	(9,398)	(72,961)
Total district	<u>\$ (63,480)</u>	<u>\$ (382,862)</u>	<u>\$ (275,501)</u>	<u>\$ 380,788</u>	<u>\$ (201,134)</u>

Source: School District Financial Reports

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

	June 30,				
	2011	2012	2013	2014	2015
General Fund					
Restricted	\$ 100	\$ 100	\$ 699,574	\$ 861,139	\$ 838,771
Assigned	187,417	1,195,155	559,278	1,015,955	381,921
Unassigned	684,073	818,010	787,974	729,668	874,892
Total general fund	<u>\$ 871,590</u>	<u>\$ 2,013,265</u>	<u>\$ 2,046,826</u>	<u>\$ 2,606,762</u>	<u>\$ 2,095,584</u>

All Other Governmental Funds					
Restricted:					
Capital projects fund	\$ 30,220	\$ 30,220			
Debt service fund	248,513	3	\$ 30,223		
Assigned	4,575				
Total all other governmental funds	<u>\$ 283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

	June 30,				
	2016	2017	2018	2019	2020
General Fund					
Restricted	\$ 1,119,539	\$ 1,295,938	\$ 2,153,249	\$ 2,263,871	\$ 2,361,617
Assigned	345,991	1,274,345	825,275	546,989	897,944
Unassigned	1,063,156	874,693	830,032	1,247,440	1,057,913
Total general fund	<u>\$ 2,528,686</u>	<u>\$ 3,444,976</u>	<u>\$ 3,808,556</u>	<u>\$ 4,058,300</u>	<u>\$ 4,317,474</u>

All Other Governmental Funds					
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2011	2012	2013	2014	2015
Revenues					
Tax levy	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387	\$ 34,264,746	\$ 34,673,171
Tuition charges	47,928	156,675	84,297	155,734	111,993
Interest earnings	1,685	4,653	5,406	6,464	6,236
Miscellaneous	231,699	240,260	173,786	152,904	207,760
State sources	3,335,157	4,325,529	5,245,522	4,820,383	5,507,282
Federal sources	479,439	548,174	494,553	443,904	454,861
Total revenue	<u>36,665,163</u>	<u>38,412,032</u>	<u>39,981,951</u>	<u>39,844,135</u>	<u>40,961,303</u>
Expenditures					
Instruction:					
Regular Instruction	10,869,832	11,042,708	11,720,334	11,497,005	11,754,488
Special education instruction	2,628,229	2,733,414	2,819,184	2,809,534	3,190,740
Other special instruction	212,823	207,422	282,917	353,665	459,367
Other instruction	751,417	782,038	826,625	734,929	961,881
Support Services:					
Tuition	1,316,906	1,355,161	1,395,101	1,608,863	1,623,288
Student & instruction related services	3,425,483	3,687,609	4,014,250	4,072,920	4,428,572
General administrative services	535,278	565,516	467,569	433,503	448,983
School Administrative services	1,502,618	1,543,675	1,578,497	1,569,588	1,517,683
Central Services	431,026	443,326	434,140	430,680	410,985
Administrative Information Technology	95,981	74,440	78,594	77,780	118,359
Plant operations and maintenance	2,783,023	2,744,340	3,167,677	3,140,976	3,003,338
Pupil transportation	1,870,801	1,838,348	1,831,095	1,870,391	1,870,297
Unallocated Benefits	7,143,643	7,681,270	8,494,168	8,294,708	8,689,244
Capital outlay	143,011	72,376	107,353	158,884	732,566
Debt service:					
Principal	1,570,000	1,670,000	1,715,000	1,310,000	1,355,000
Interest and other charges	973,545	1,082,027	1,016,020	951,179	907,853
Total expenditures	<u>36,253,616</u>	<u>37,523,670</u>	<u>39,948,524</u>	<u>39,314,605</u>	<u>41,472,644</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>411,547</u>	<u>888,362</u>	<u>33,427</u>	<u>529,530</u>	<u>(511,341)</u>
Other Financing sources (uses)					
Serial Bonds Defeased					(12,454,000)
Serial Bonds Issued					11,230,000
Bond Issuance Costs					(129,833)
Deferred Amount on Refunding					(503,256)
Bond Premium					1,857,089
Transfers in	106	228	134	183	300,263
Transfers out					(300,100)
Total other financing sources (uses)	<u>106</u>	<u>228</u>	<u>134</u>	<u>183</u>	<u>163</u>
Net change in fund balances	<u>\$ 411,653</u>	<u>\$ 888,590</u>	<u>\$ 33,561</u>	<u>\$ 529,713</u>	<u>\$ (511,178)</u>
Debt service as a percentage of noncapital expenditures	7.578%	7.931%	7.359%	6.129%	5.881%

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2016	2017	2018	2019	2020
Revenues					
Tax levy	\$ 35,513,410	\$ 36,514,352	\$ 37,515,615	\$ 37,720,037	\$ 38,434,568
Tuition charges	95,199	101,563	65,469	114,297	5,870
Interest earnings	6,018	6,736	7,904	7,665	8,098
Miscellaneous	288,263	197,387	204,229	253,242	177,544
State sources	6,140,022	6,705,409	7,659,241	8,798,781	9,127,775
Federal sources	475,304	470,153	465,236	467,771	415,899
Total revenue	<u>42,518,216</u>	<u>43,995,600</u>	<u>45,917,694</u>	<u>47,361,793</u>	<u>48,169,754</u>
Expenditures					
Instruction:					
Regular Instruction	11,781,223	11,008,684	11,829,750	11,635,859	11,691,532
Special education instruction	3,257,194	3,386,697	3,445,237	3,588,687	3,936,521
Other special instruction	389,775	433,162	489,767	469,986	485,193
Other instruction	952,371	997,571	953,095	970,274	983,602
Support Services:					
Tuition	1,607,359	1,700,591	1,653,250	2,096,440	2,037,471
Student & instruction related services	4,510,091	4,610,211	5,243,466	5,394,880	5,670,018
General administrative services	497,199	538,561	573,271	581,108	669,129
School Administrative services	1,645,247	1,670,744	1,757,041	1,779,306	1,807,153
Central Services	390,213	394,107	397,151	402,750	420,224
Administrative Information Technology	81,520	81,520	97,240	92,154	90,819
Plant operations and maintenance	2,759,399	2,885,178	3,013,419	3,347,197	3,315,839
Pupil transportation	1,988,640	2,071,907	2,167,212	2,339,582	2,303,036
Unallocated Benefits	9,611,081	10,674,285	11,044,224	11,991,779	12,398,951
Charter Schools				28,505	57,986
Capital outlay	694,200	439,211	723,810	729,361	387,525
Debt service:					
Principal	1,380,000	1,375,000	1,410,000	955,000	985,000
Interest and other charges	813,339	811,881	756,181	709,181	670,581
Total expenditures	<u>42,358,851</u>	<u>43,079,310</u>	<u>45,554,114</u>	<u>47,112,049</u>	<u>47,910,580</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>159,365</u>	<u>916,290</u>	<u>363,580</u>	<u>249,744</u>	<u>259,174</u>
Other Financing sources (uses)					
Capital Leases (Non-budgeted)	<u>273,737</u>				
Total other financing sources (uses)	<u>273,737</u>				
Net change in fund balances	<u>\$ 433,102</u>	<u>\$ 916,290</u>	<u>\$ 363,580</u>	<u>\$ 249,744</u>	<u>\$ 259,174</u>
Debt service as a percentage of noncapital expenditures	5.557%	5.406%	4.783%	3.534%	3.458%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2011	\$ 1,685	\$ 47,928	\$ 17,237	\$ 210,538	\$ 277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636
2015	6,236	111,993		122,722	240,951
2016	6,018	95,199		202,829	304,046
2017	6,736	101,563		164,574	272,873
2018	7,904	65,469	20,769	140,051	234,193
2019	7,665	114,297	24,013	129,363	275,338
2020	8,098	5,870	77	134,913	148,958

Source: Borough of Kinnelon School District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2010	\$ 32,726,300	\$ 1,533,542,400	\$ 4,018,300	\$ 18,900	\$ 59,597,300	\$ 18,360,100	\$ 1,648,263,300	\$ 1,806,607	\$ 1,650,069,907	\$ 1.967	\$ 2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.014	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.129	2,039,419,412
2014	24,433,700	1,498,703,100	3,907,700	38,500	54,096,400	18,500,700	1,599,680,100		1,599,680,100	2.156	2,036,364,102
2015	22,793,300	1,496,614,600	3,025,300	39,900	54,096,400	18,500,700	1,595,070,200		1,595,070,200	2.200	2,112,068,237
2016	21,927,600	1,497,282,400	4,701,400	41,500	53,914,600	18,500,700	1,596,368,200		1,596,368,200	2.256	2,112,419,558
2017*	27,103,200	1,989,936,000	8,345,700	55,600	83,384,700	30,125,000	2,138,950,200		2,138,950,200	1.731	2,132,177,216
2018	25,580,000	1,983,379,600	8,712,900	29,500	81,819,800	30,125,000	2,129,646,800		2,129,646,800	1.767	2,129,246,948
2019	25,136,300	1,977,419,900	8,765,600	29,500	79,989,600	30,125,000	2,121,465,900		2,121,465,900	1.795	2,152,872,366

*-Revaluation Year

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

Source: Municipal Tax Assessor

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

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Kinnelon	Morris County	
2010	\$ 1.809	\$ 0.158	\$ 1.967	\$ 0.510	\$ 0.330	\$ 2.807
2011	1.864	0.150	2.014	0.531	0.330	2.875
2012	1.924	0.158	2.082	0.556	0.330	2.968
2013	1.978	0.151	2.129	0.582	0.330	3.041
2014	2.020	0.136	2.156	0.588	0.325	3.069
2015	2.065	0.135	2.200	0.588	0.332	3.120
2016	2.123	0.133	2.256	0.669	0.326	3.251
2017*	1.632	0.099	1.731	0.500	0.259	2.490
2018	1.680	0.087	1.767	0.506	0.260	2.533
2019	1.720	0.075	1.795	0.526	0.265	2.586

* - Revaluation year

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Percentage of Levy	Collections in Subsequent Years
		Amount			
2011	\$ 32,569,255	\$ 32,569,255		100.00%	\$ -0-
2012	33,136,741	33,136,741		100.00%	-0-
2013	33,978,387	33,978,387		100.00%	-0-
2014	34,264,746	34,264,746		100.00%	-0-
2015	34,673,171	34,673,171		100.00%	-0-
2016	35,513,410	35,513,410		100.00%	-0-
2017	36,514,352	36,514,352		100.00%	-0-
2018	37,515,615	37,515,615		100.00%	-0-
2019	37,720,037	37,720,037		100.00%	-0-
2020	38,434,568	38,434,568		100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Income ^a	
							Per Capita ^a	
2011	\$ 28,389,000	\$ -0-	\$ 162,229	\$ -0-	\$ -0-	\$ 28,551,229	3.81%	\$ 2,816
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.44%	2,638
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.08%	2,460
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	2.87%	2,321
2015	21,115,000	-0-	-0-	-0-	-0-	21,115,000	2.46%	2,075
2016	19,735,000	-0-	273,737	-0-	-0-	20,008,737	2.23%	1,970
2017	18,360,000	-0-	217,609	-0-	-0-	18,577,609	2.02%	1,836
2018	16,950,000	-0-	164,796	-0-	-0-	17,114,796	1.81%	1,697
2019	15,995,000	-0-	56,012	-0-	-0-	16,051,012	1.64%	1,622
2020	15,010,000	-0-	-0-	-0-	-0-	15,010,000	1.53%	1,517

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 28,389,000	\$ -0-	\$ 28,389,000	1.720%	\$ 2,800
2012	26,719,000	-0-	26,719,000	1.638%	2,627
2013	25,004,000	-0-	25,004,000	1.552%	2,455
2014	23,694,000	-0-	23,694,000	1.478%	2,321
2015	21,115,000	-0-	21,115,000	1.320%	2,075
2016	19,735,000	-0-	19,735,000	1.237%	1,943
2017	18,360,000	-0-	18,360,000	1.150%	1,814
2018	16,950,000	-0-	16,950,000	0.792%	1,680
2019	15,995,000	-0-	15,995,000	0.751%	1,616
2020	15,010,000	-0-	15,010,000	0.708%	1,517

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

a See Exhibit J-6 for property tax data.

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

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019
UNAUDITED

<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 Kinnelon	\$ 13,160,446	100.00%	\$ 13,160,446
Morris County General Obligation Debt	216,220,009	2.24%	<u>4,844,316</u>
Subtotal, overlapping debt			18,004,762
Kinnelon School District Direct Debt			<u>15,020,000</u>
Total direct and overlapping debt			<u><u>\$ 33,024,762</u></u>

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

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

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

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

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Debt limit	\$ 95,707,525	\$ 92,418,520	\$ 88,571,000	\$ 84,927,221	\$ 83,648,814
Total net debt applicable to limit	28,389,000	26,719,000	25,004,000	23,714,000	21,115,000
Legal debt margin	<u>\$ 67,318,525</u>	<u>\$ 65,699,520</u>	<u>\$ 63,567,000</u>	<u>\$ 61,213,221</u>	<u>\$ 62,533,814</u>
Total net debt applicable to the limit as a percentage of debt limit	29.66%	28.91%	28.23%	27.92%	25.24%

	Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
Debt limit	\$ 83,540,821	\$ 84,732,226	\$ 85,004,512	\$ 85,678,672	\$ 85,982,850
Total net debt applicable to limit	19,735,000	18,360,000	16,950,000	15,995,000	15,010,000
Legal debt margin	<u>\$ 63,805,821</u>	<u>\$ 66,372,226</u>	<u>\$ 68,054,512</u>	<u>\$ 69,683,672</u>	<u>\$ 70,972,850</u>
Total net debt applicable to the limit as a percentage of debt limit	23.62%	21.67%	19.94%	18.67%	17.46%

Legal Debt Margin Calculation for Fiscal Year 2020

Year Ended December 31,	Equalized Valuation Basis
2019	\$ 2,151,588,134
2018	2,159,885,193
2017	2,137,240,408
	<u>\$ 6,448,713,735</u>
Average equalized valuation of taxable property	\$ 2,149,571,245
Debt limit (4% of average equalization value)	85,982,850 a
Net bonded school debt	15,010,000
Legal debt margin	<u>\$ 70,972,850</u>

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

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

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

Year	Population ^a	Personal Income (thousands of dollars) ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2011	10,172	\$ 780,467,044	\$ 76,727	4.60%
2012	10,187	812,566,055	79,765	4.80%
2013	10,207	824,776,635	80,805	4.80%
2014	10,175	857,345,500	84,260	4.20%
2015	10,158	896,128,602	88,219	4.20%
2016	10,119	919,341,507	90,853	4.10%
2017	10,088	943,782,840	93,555	3.70%
2018	10,010	989,408,420	98,842	3.40%
2019	9,896	978,140,432 *	98,842	3.00%
2020	9,896 **	978,140,432 **	98,842 **	N/A

* - Latest Morris County per capita personal income available (2018) was used for calculation purposes.

** - Latest Morris County per capita personal income (2018) and population data (2019) available was used for calculation purposes.

N/A - Not Available.

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

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

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

	2019		2010			
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Atlantic Health System		6,140	2.39%	Novartis Corporation	4,990	1.99%
Picatinny Arsenal		6,000	2.34%	Atlantic Health	4,933	1.97%
Novartis		4,900	1.91%	Picatinny Arsenal	4,442	1.77%
ADP		2,690	1.05%	County of Morris	2,675	1.07%
Bayer		2,400	0.93%	UPS	2,332	0.93%
Accenture		1,865	0.73%	ADP	1,924	0.77%
Barclays		1,800	0.70%	AT&T	1,550	0.62%
Honeywell		1,704	0.66%	St. Clare's Health System	1,531	0.61%
Allergan		1,627	0.63%	BASF	1,400	0.56%
St. Clare's Health System		1,565	0.61%	Avis Budget Group, Inc.	1,378	0.55%
		<u>30,691</u>	<u>11.96%</u>		<u>27,155</u>	<u>10.83%</u>
Total Employment *		<u>256,698</u>			<u>250,640</u>	

* - Employment data provided by the NJ Department of Labor and Workforce Development.

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

UNAUDITED

<u>Function/Program</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>	<u>2020</u>
Instruction	138.00	141.80	138.30	137.30	134.00	126.00	127.00	126.00	128.00	127.00
Regular	50.10	50.90	51.40	51.40	55.50	75.00	76.00	78.00	83.50	85.00
Special education										
Support Services:										
Student & instruction related services	41.90	43.40	43.40	43.90	46.00	42.70	43.50	45.00	44.00	46.00
School administrative services	12.50	12.50	12.50	12.50	14.50	15.50	15.50	15.50	17.70	16.50
General and business administrative services	3.90	3.90	3.90	3.90	4.00	6.00	6.00	6.00	4.00	3.00
Plant operations and maintenance	30.40	30.40	30.40	30.40	24.00	25.00	23.00	22.00	28.00	27.00
Business and other support services	4.60	4.60	4.60	4.60	2.00	2.00	2.00	2.00	2.00	2.00
Pupil transportation	8.00	8.00	8.00	8.00	11.50	10.00	10.00	10.50	10.00	11.00
Total	289.40	295.50	292.50	292.00	291.50	302.20	303.00	305.00	317.20	317.50

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School				
2011	2,215	\$ 33,567,060	\$ 15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%
2013	2,143	37,110,151	17,530	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%
2015	2,019	38,477,225	19,152	189.50	1:12	1:14	1:11	1:12	2,009	1,930	-3.460%	96.07%
2016	1,992	39,471,312	20,211	201.00	1:12	1:14	1:11	1:12	1,953	1,888	-2.787%	96.67%
2017	1,953	40,453,218	21,135	203.00	1:12	1:14	1:11	1:10	1,914	1,835	-1.997%	95.87%
2018	1,961	42,664,123	22,586	204.00	1:12	1:14	1:12	1:11	1,889	1,795	-1.306%	95.02%
2019	1,804	44,718,507	24,317	211.50	1:12	1:14	1:12	1:11	1,839	1,755	-2.647%	95.43%
2020	1,742	45,867,474	26,452	212.00	1:12	1:14	1:12	1:11	1,734	1,653	-5.710%	95.33%

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

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

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

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kiel Elementary School (1995)										
Square Feet	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	388	377	340	310	315	308	315	305	294	258
Stony Brook Elementary (1957)										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	578	619	524	558	498	480	472	458	431	396
Pearl R. Miller Middle School (1968)										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	545	532	522	514	508	493	500	471	454	424
Kinnelon High School (1963)										
Square Feet	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	646	646	646	646	646	646	646	646	646	646
Enrollment	704	694	693	699	688	672	685	655	625	569
Glenn Sisco Elementary School (1923)										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2020

 Elementary = 2

 Middle School = 1

 High School = 1

Note: Year of original construction is shown in parentheses.

 Enrollment is based on the annual October district count.

Source: Borough of Kinnelon School District Facilities Office

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

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

Fiscal Year Ended June 30,	Kiel		Stony Brook		Glen L. Sisco		Pearl R. Miller		Kinnelon		Total
	Elementary School	School	Elementary School	School	Elementary School	School	Middle School	High School	High School	Maintenance	
2011	\$ 27,227		\$ 73,841		\$ 11,112		\$ 40,641		\$ 78,539	\$ 4,025	\$ 235,385
2012	37,618		67,957		4,999		41,510		127,168	3,955	283,207
2013	21,942		61,671		3,559		62,387		410,331	36,000	595,890
2014	54,035		56,236		22,210		87,810		199,659	33,259	453,209
2015	58,953		96,454		8,973		42,565		140,173	112,282	459,400
2016	51,865		87,220		11,890		51,730		83,993	39,770	326,468
2017	45,977		70,734		21,220		84,881		130,220	14,533	367,565
2018	44,509		95,214		13,485		80,657		151,354	29,458	414,677
2019	78,316		84,752		2,700		96,396		206,159	8,102	476,425
2020	80,614		45,272		7,847		89,790		227,942	3,125	454,590

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

Source: Borough of Kinnelon School District records

KINNELON BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

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

Source: Kinnelon Borough School District records.

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

December 15, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

John J. Mooney

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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2020. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

December 15, 2020
Mount Arlington, New Jersey

Nisiroccia LLP
NISIVOCCIA LLP

John J. Mooney

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2019		Cancellations of Prior Year's Encumbrances	Balance 6/30/2020		Amounts Provided to Subrecipients
					Budgetary Unearned Revenue (Accounts Receivable)	Due to Grantor		Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Agriculture - Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
Federal Food Distribution Program	10.555	N/A	7/1/19-6/30/20	\$ 28,918	\$	(23,773)		\$	5,145	
Federal Food Distribution Program	10.555	N/A	7/1/18-6/30/19	32,844	1,658	(1,658)				
Subtotal Federal Food Distribution Program					1,658	(25,431)			5,145	
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	34,576		(34,576)				
National School Lunch Program - COVID-19 Seamless Summer Option	10.555	N/A	3/18/20-6/30/20	5,290		(5,290)	\$	(995)		
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	47,588	(3,147)	(3,147)				
Subtotal National School Lunch Program					(3,147)	(39,866)		(995)		
Total U.S. Department of Agriculture/Child Nutrition Cluster					(1,489)	(65,297)		(995)	5,145	
U.S. Department of Education - Passed-through State Department of Education:										
Special Education Cluster:										
ID.E.A. Preschool	84.173	IDEA-2460-20	7/1/19-9/30/20	16,737		(16,737)				
ID.E.A. Part B, Basic	84.027	IDEA-2460-20	7/1/19-9/30/20	374,558		(374,498)			60	\$ 2,588
ID.E.A. Part B, Basic	84.027	IDEA-2460-19	7/1/18-6/30/19	378,542	(53,952)		\$	2,588		1,340
ID.E.A. Part B, Basic	84.027	IDEA-2460-18	7/1/17-6/30/18	383,863		(391,235)			60	3,928
Total Special Education Cluster					(53,952)	(391,235)		2,588	60	3,928
Elementary and Secondary Education Act:										
Title I	84.010A	ESEA-2460-20	7/1/19-9/30/20	57,744		(35,368)		(14,228)		
Title I	84.010A	ESEA-2460-19	7/1/18-6/30/19	32,052	(8,928)			250		250
Title I	84.010A	ESEA-2460-17	7/1/16-6/30/17	24,975				250		453
Subtotal Title I								250		703
Title II	84.367A	ESEA-2460-20	7/1/19-9/30/20	38,566		(13,493)		(9,072)		
Title II	84.367A	ESEA-2460-19	7/1/18-6/30/19	33,109	(1,395)			495		495
Title II	84.367A	ESEA-2460-18	7/1/17-6/30/18	20,094		(13,493)		495		1,460
Subtotal Title II								495		1,955
Total U.S. Department of Education					(64,275)	(440,096)		3,333	60	6,586
TOTAL FEDERAL AWARDS					\$ (65,764)	\$ (505,393)		\$ (24,295)	\$ 5,205	\$ 6,586
										\$ -0-

N/A - Not Applicable

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2019		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2020		MEMO	
				Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Special Education Categorical Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 1,272,749		\$ 1,149,432	\$ (1,272,749)				\$ (123,317)	\$ 1,272,749	
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	1,127,229	\$ (108,922)	108,922						1,127,229	
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	164,769		148,804	(164,769)				(15,965)	164,769	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	164,769	(15,921)	15,921						164,769	
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	430,416		388,713	(430,416)				(41,703)	430,416	
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	430,416	(41,590)	41,590						430,416	
Extraordinary Special Education Costs Aid	20-100-034-5120-044	7/1/19-6/30/20	899,134			(899,134)				(899,134)	899,134	
Extraordinary Special Education Costs Aid	19-100-034-5120-044	7/1/18-6/30/19	968,379	(968,379)	968,379						968,379	
Nonpublic School Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	18,560	(18,560)	18,560						18,560	
Reimbursed TPAF Contributions:												
Social Security Aid	20-495-034-5094-003	7/1/19-6/30/20	1,293,441		1,293,441	(1,293,441)					1,293,441	
On-Behalf TPAF Contributions:												
Pension	20-495-034-5094-001	7/1/19-6/30/20	3,588,148		3,588,148	(3,588,148)					3,588,148	
Post-Retirement Medical	20-495-034-5094-002	7/1/19-6/30/20	1,354,996		1,354,996	(1,354,996)					1,354,996	
Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	64,314		64,314	(64,314)					64,314	
Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	1,805		1,805	(1,805)					1,805	
Total General Fund				(1,153,372)	9,143,025	(9,069,772)			(899,134)	(1,080,119)	11,779,125	
Debt Service Fund:												
Debt Service Aid State Support	20-495-034-5120-017	7/1/19-6/30/20	66,848		66,848	(66,848)					66,848	
Total Debt Service Fund					66,848	(66,848)					66,848	
Special Revenue Fund:												
NJ Nonpublic Aid:												
Technology Initiative	20-100-034-5120-373	7/1/19-6/30/20	612		612	(612)					612	
Textbook Aid (Chapter 194)	20-100-034-5120-064	7/1/19-6/30/20	896		896	(896)					896	
Security Aid	20-100-034-5120-509	7/1/19-6/30/20	2,550		2,550	(2,550)					2,550	
Security Aid	19-100-034-5120-509	7/1/18-6/30/19	1,950	\$ 59				\$ (59)			1,290	
Nursing Services (Chapter 226)	20-100-034-5120-070	7/1/19-6/30/20	1,649		1,649	(1,649)					1,649	
Total Special Revenue Fund					5,707	(5,707)		(59)			8,527	
Total NJ Department of Education				(1,153,372)	9,215,580	(9,142,327)		(59)	(899,134)	(1,080,119)	11,854,500	

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2019		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2020		MEMO	
				Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
Enterprise Fund:												
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	\$ 2,641		\$ 2,641	\$ (2,641)						\$ 2,641
State School Lunch Program - COVID-19 Seamless Summer Option Supplemental	20-100-010-3350-023	3/18/20-6/30/20	84		68	(84)						84
State School Lunch Program	19-100-010-3350-023	7/1/19-6/30/20	3,945	\$ (266)	266	(955)						955
		7/1/18-6/30/19										3,945
Total Enterprise Fund				(266)	2,975	(3,680)			(971)		(971)	7,625
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION				\$ (1,153,638)	\$ 59	\$ 9,218,555	\$ (9,146,007)	\$ (59)	\$ (900,105)	\$ -0-	\$ (1,081,090)	\$ 11,985,686

Less - State Awards Not Subject to Single Audit Major Program Determination:

On-Behalf TPAF Contributions:			
Pension	20-495-034-5094-001	7/1/19-6/30/20	3,588,148
Post-Retirement Medical	20-495-034-5094-002	7/1/19-6/30/20	1,354,996
Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	64,314
Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	1,805
Subtotal On-Behalf TPAF Pension System Contributions			5,009,263
			\$ (4,136,744)

TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Kinnelon Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$14,552) for the general fund and \$(21,124) (\$3,073 local grants and \$(24,197) Federal grants) for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds.

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 9,055,220	\$ 9,055,220
Special Revenue Fund	\$ 415,899	5,707	421,606
Debt Service Fund		66,848	66,848
Enterprise Fund	<u>65,297</u>	<u>3,680</u>	<u>68,977</u>
Total Financial Awards	<u>\$ 481,196</u>	<u>\$ 9,131,455</u>	<u>\$ 9,612,651</u>

NOTE 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2020 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

<u>State:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Extraordinary Special Education Costs Aid	20-495-034-5120-044	7/1/19-6/30/20	\$ 899,134	\$ 899,134
Reimbursed TPAF Contributions:				
Social Security Aid	20-495-034-5094-003	7/1/19-6/30/20	1,293,441	1,293,441

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

The District had no prior year audit findings.