

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022**

**Annual Comprehensive
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2022

Prepared by

**Kinnelon Borough School District
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT
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**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 9, 2022

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

Dear Board Members:

The annual comprehensive financial report of the Kinnelon Board of Education (the “District”) for the fiscal year ended June 30, 2022, 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 annual comprehensive 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 2021/2022 fiscal year with an enrollment of 1,660 students which was a decrease of 10 students from the prior year.

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
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2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 6.2%. This is approximately .2% higher 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 15.3%. 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, 2022.

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

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

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

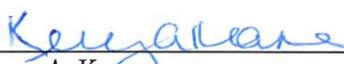
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the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

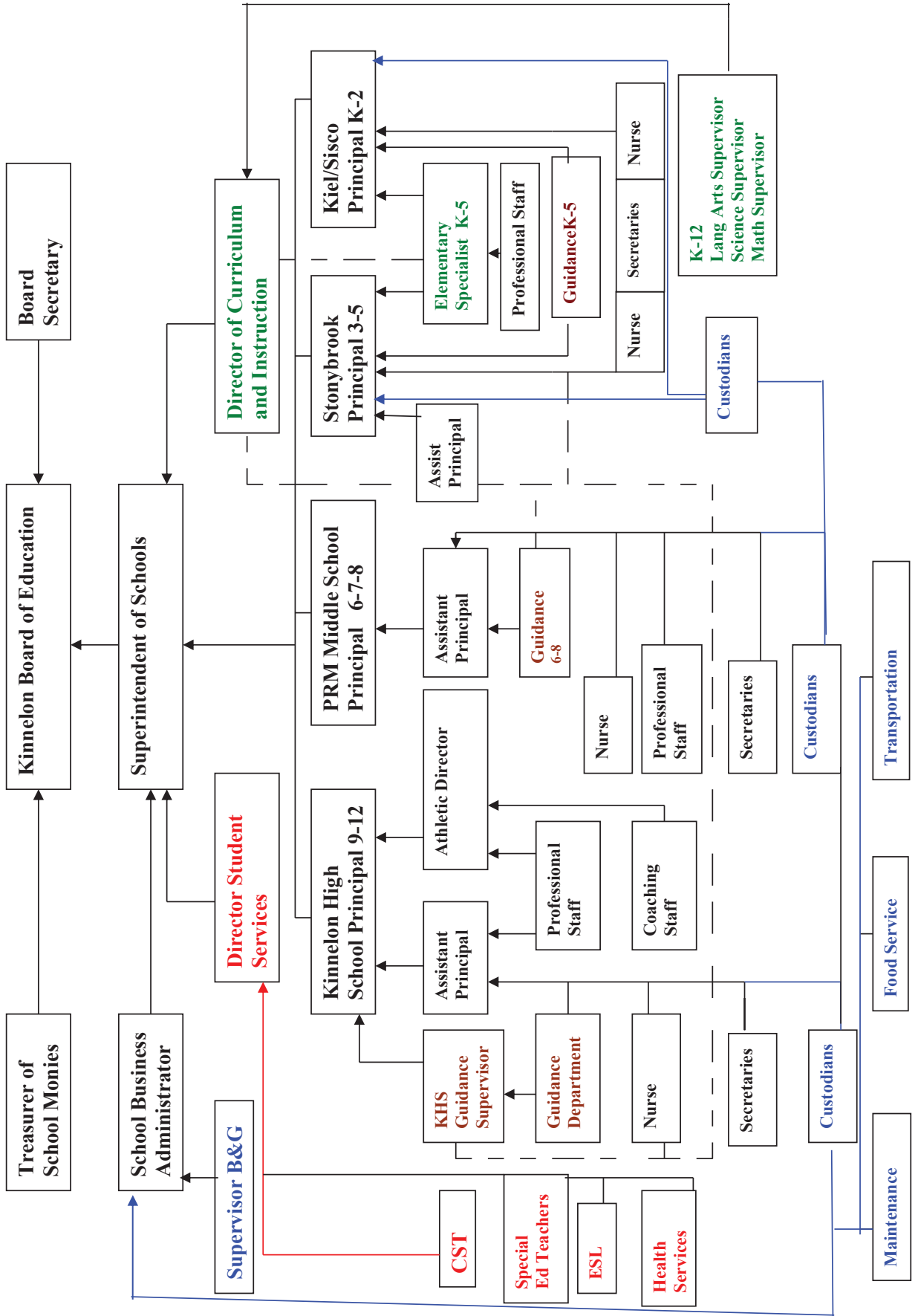


David Mango
Superintendent



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, 2022

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Jean Donaldson	President	2023
Michael Petruccelli	Vice President	2024
Michelle Donus	Member	2022
Jonathan Eisenmenger	Member	2022
Megan Fischbeck	Member	2022
David Gigante	Member	2022
Kelly Parrella	Member	2024

Other Officials

David C. Mango, 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

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 Audit of the Financial Statements

Qualified Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2022, 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.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the “Office”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to Qualified Opinion

The District’s note disclosure on postemployment benefits other than pensions (OPEB) (Note 9) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan (“SHBP”) has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the “Division”), as of the date of this report. The District is in a “special funding situation” in that the OPEB contributions, expenses and related liability are the sole responsibility of the State of New Jersey, not the District and therefore does not affect the District’s net position. An estimated release date for the June 30, 2021 OPEB information has not been announced by the Division. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 post-retirement 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 is the responsibility of management and, although not a part of the basic financial statements, are 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.

The Schedule of Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District and Related Ratios (Exhibit L-5) do not contain the June 30, 2021 OPEB information as the related GASB No. 75 report for SHBP has not been released by the State as of the date of this report. The District is in a "special funding situation" in that the OPEB contributions, expenses and related liability are the sole responsibility of the State of New Jersey, not the District and therefore does not affect the District's net position. An estimated release date for the June 30, 2021 OPEB information has not been announced by the Division. This required supplementary information is required to be presented to supplement the basic financial statements in accordance with accounting principles generally accepted in the United States of America. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information 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*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information 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 Honorable President and Members
of the Board of Education
Kinnelon Borough School District
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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 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 9, 2022
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, 2022. 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.

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

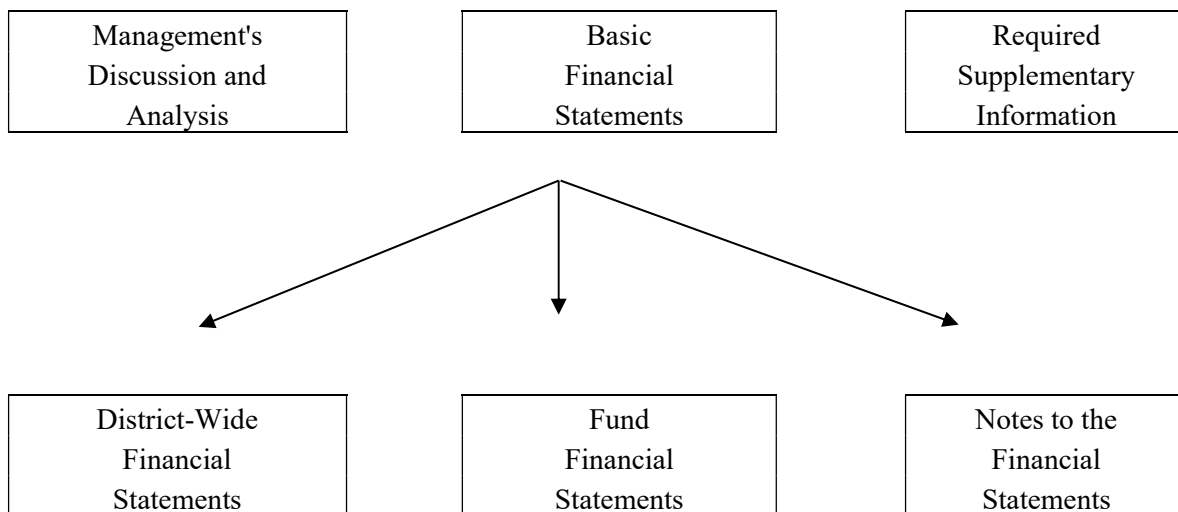


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services and enrichment program
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
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
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, lease assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
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

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 two 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.

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, 2022 and 2021. The District’s *combined* net position was \$17,519,816 on June 30, 2022, \$2,221,283 or 12.68% more than the prior fiscal year. The net position of the governmental activities increased by \$2,018,130 and net position of the business-type activities increased by \$203,153.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2021/22
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	
Current and Other Assets	\$ 7,831,397	\$ 6,479,895	\$ 412,770	\$ 170,309	\$ 8,244,167	\$ 6,650,204	
Capital Assets, Net	33,806,953	34,997,142	37,088	39,291	33,844,041	35,036,433	
Total Assets	<u>41,638,350</u>	<u>41,477,037</u>	<u>449,858</u>	<u>209,600</u>	<u>42,088,208</u>	<u>41,686,637</u>	0.95%
Deferred Outflows of Resources	<u>1,894,174</u>	<u>2,489,455</u>			<u>1,894,174</u>	<u>2,489,455</u>	-31.43%
Other Liabilities	1,185,004	932,350	64,756	27,651	1,249,760	960,001	
Long-Term Liabilities	<u>21,236,285</u>	<u>24,356,800</u>			<u>21,236,285</u>	<u>24,356,800</u>	
Total Liabilities	<u>22,421,289</u>	<u>25,289,150</u>	<u>64,756</u>	<u>27,651</u>	<u>22,486,045</u>	<u>25,316,801</u>	-12.59%
Deferred Inflows of Resources	<u>3,976,521</u>	<u>3,560,758</u>			<u>3,976,521</u>	<u>3,560,758</u>	10.46%
Net Position:							
Net Investment in Capital Assets	21,147,367	21,458,097	37,088	39,291	21,184,455	21,497,388	
Restricted	4,152,200	3,723,351			4,152,200	3,723,351	
Unrestricted/(Deficit)	<u>(8,164,853)</u>	<u>(10,064,864)</u>	<u>348,014</u>	<u>142,658</u>	<u>(7,816,839)</u>	<u>(9,922,206)</u>	
Total Net Position	<u>\$ 17,134,714</u>	<u>\$ 15,116,584</u>	<u>\$ 385,102</u>	<u>\$ 181,949</u>	<u>\$ 17,519,816</u>	<u>\$ 15,298,533</u>	12.68%

Figure A-4 represents the *Changes in net position*. Net investment in capital assets decreased \$312,933 due to current fiscal year depreciation, offset by capital asset additions and bonded debt paid down. Restricted net position increased \$428,849 as a result of net increases in the capital reserve, unemployment compensation and student activities offset by a net decrease in scholarships. The deficit in unrestricted net position increased by \$2,105,367 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 2021/22	Business-Type Activities 2021/22	Total School District 2021/22	Governmental Activities 2020/21	Business-Type Activities 2020/21	Total School District 2020/21	Percentage Change 2021/22
Revenue:							
Program Revenue:							
Charges for Services	\$ 405,580	\$ 146,603	\$ 552,183	\$ 154,812	\$ 52,339	\$ 207,151	
Operating Grants and Contributions							
	11,981,020	653,729	12,634,749	13,529,248	247,646	13,776,894	
Capital Grants and Contributions							
	330,467		330,467			-	
General Revenue:							
Property Taxes	39,847,948		39,847,948	39,140,531		39,140,531	
Other	244,754	123	244,877	175,387	195	175,582	
Total Revenue	52,809,769	800,455	53,610,224	52,999,978	300,180	53,300,158	0.58%
Expenses:							
Instruction	26,944,273		26,944,273	27,934,196		27,934,196	
Pupil and Instruction Services							
	11,390,720		11,390,720	11,173,809		11,173,809	
Administrative and Business							
	4,186,120		4,186,120	4,560,724		4,560,724	
Maintenance and Operations							
	3,695,276		3,695,276	3,735,167		3,735,167	
Transportation	2,895,539		2,895,539	2,370,975		2,370,975	
Other	1,679,711	597,302	2,277,013	1,741,039	499,272	2,240,311	
Total Expenses	50,791,639	597,302	51,388,941	51,515,910	499,272	52,015,182	-1.20%
Transfers				(64,020)	64,020		
Increase/(Decrease) in Net Position							
	\$ 2,018,130	\$ 203,153	\$ 2,221,283	\$ 1,420,048	\$ (135,072)	\$ 1,284,976	72.87%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. This was mostly attributable to a decrease in 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
	2021/22	2021/22	2020/21	2020/21
Instruction	\$ 26,944,273	\$ 18,315,191	\$27,934,196	\$18,235,892
Pupil and Instruction Services	11,390,720	8,851,554	11,173,809	8,539,505
Administrative and Business	4,186,120	3,489,880	4,560,724	3,726,328
Maintenance and Operations	3,695,276	3,296,170	3,735,167	3,666,465
Transportation	2,895,539	2,442,066	2,370,975	1,922,621
Other	1,679,711	1,679,711	1,741,039	1,741,039
	<u>\$ 50,791,639</u>	<u>\$ 38,074,572</u>	<u>\$51,515,910</u>	<u>\$37,831,850</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$203,153, comprised of an increase of \$203,030 in the Food Service program and an increase of \$123 in the Enrichment program (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial position improved 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 4% 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
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	Change
							2021/22
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	
Buildings and Building Improvements	33,328,981	34,438,920			33,328,981	34,438,920	
Machinery and Equipment	432,162	512,412	\$ 37,088	\$ 39,291	469,250	551,703	
Total Capital Assets (net of Depreciation)	<u>\$ 33,806,953</u>	<u>\$ 34,997,142</u>	<u>\$ 37,088</u>	<u>\$ 39,291</u>	<u>\$ 33,844,041</u>	<u>\$ 35,036,433</u>	-3.40%

The District's capital assets decreased by \$1,192,392. Total depreciation was \$1,254,530, offset by capital acquisitions of \$62,138.

Long-term Liabilities

At year-end, the District had \$21,236,285 in general obligation bonds and other long-term liabilities outstanding, a decrease of \$3,120,515 or 12.81% 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
	2021/22	2020/21	Change
			2021/22
General Obligation Bonds (Financed with Property Taxes)	\$ 13,030,000	\$ 14,015,000	
Unamortized Bond Premium	1,126,366	1,275,310	
Net Pension Liability	6,346,271	8,432,902	
Compensated Absences	733,648	633,588	
	<u>\$ 21,236,285</u>	<u>\$ 24,356,800</u>	-12.81%

The District paid down \$985,000 of bonds, amortized \$148,944 of bond premiums, its net pension liability decreased by \$2,086,631 and there was a net increase in compensated absences of \$100,060.

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

The impact of School Funding Reform Act. The School Funding Reform Act, adopted by the State of New Jersey on January 13, 2008, provided a new funding formula which would meet the requirements of Abbott v Burke in future years. The legislation requires each district to provide a local "fair share" contribution to property taxes to support schools, and establishes an "adequacy budget" for each district. The adequacy budget is based 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, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,433,606	\$ 341,181	\$ 2,774,787
Receivables from Other Governments	1,421,539	45,293	1,466,832
Other Receivables	25,410		25,410
Internal Balances	(10,607)	10,607	
Inventory		15,689	15,689
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve	3,387,006		3,387,006
Unemployment Compensation	217,859		217,859
Student Activities	158,131		158,131
Scholarships	198,453		198,453
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	33,761,143	37,088	33,798,231
Total Assets	41,638,350	449,858	42,088,208
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	370,414		370,414
Deferred Outflows of Resources Related to Pensions	1,523,760		1,523,760
Total Deferred Outflows of Resources	1,894,174		1,894,174
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	232,658		232,658
Accounts Payable	904,335	38,488	942,823
Payable to State Government	418		418
Payable to Federal Government	25,717		25,717
Unearned Revenue	21,876	26,268	48,144
Noncurrent Liabilities:			
Due Within One Year	1,153,944		1,153,944
Due Beyond One Year	20,082,341		20,082,341
Total Liabilities	22,421,289	64,756	22,486,045
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	3,976,521		3,976,521
Total Deferred Inflows of Resources	3,976,521		3,976,521
NET POSITION			
Net Investment in Capital Assets	21,147,367	37,088	21,184,455
Restricted for:			
Capital Projects	3,387,006		3,387,006
Excess Surplus	190,751		190,751
Unemployment Compensation	217,859		217,859
Student Activities	158,131		158,131
Scholarships	198,453		198,453
Unrestricted/(Deficit)	(8,164,853)	348,014	(7,816,839)
Total Net Position	\$ 17,134,714	\$ 385,102	\$ 17,519,816

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, 2022

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	\$ 18,966,625	\$ 20,700	\$ 4,189,627		\$ (14,756,298)	\$	\$ (14,756,298)
Special Education	6,315,666		4,248,384		(2,067,282)		(2,067,282)
Other Special Instruction	767,054		170,371		(596,683)		(596,683)
Other Instruction	894,928				(894,928)		(894,928)
Support services:							
Tuition	1,901,665		358,996		(1,542,669)		(1,542,669)
Student & Instruction Related Services	9,489,055	384,880	1,795,290		(7,308,885)		(7,308,885)
General Administrative Services	816,237		98,651		(717,586)		(717,586)
School Administrative Services	2,890,028		597,589		(2,292,439)		(2,292,439)
Central Services	383,421				(383,421)		(383,421)
Administrative Information Technology	96,434				(96,434)		(96,434)
Plant Operations and Maintenance	3,695,276		68,639	\$ 330,467	(3,296,170)		(3,296,170)
Pupil Transportation	2,895,539		453,473		(2,442,066)		(2,442,066)
Transfer of Funds to Charter Schools	7,688				(7,688)		(7,688)
Interest on Long-Term Debt	546,370				(546,370)		(546,370)
Unallocated Depreciation	1,125,653				(1,125,653)		(1,125,653)
Total Governmental Activities	50,791,639	405,580	11,981,020	\$ 330,467	(38,074,572)	\$ -0-	(38,074,572)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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	\$ 597,302	\$ 146,603	\$ 653,729		\$ 203,030	\$ 203,030	\$ 203,030
Total Business-Type Activities	597,302	146,603	653,729		203,030	203,030	203,030
Total Primary Government	\$ 51,388,941	\$ 552,183	\$ 12,634,749	\$ 330,467	\$ (38,074,572)	203,030	\$ (37,871,542)

General Revenues:

Taxes:							
Property Taxes, Levied for General Purposes, Net					38,334,406	38,334,406	38,334,406
Taxes Levied for Debt Service					1,513,542	1,513,542	1,513,542
Investment Earnings					9,732	123	9,855
Miscellaneous Income					235,022	235,022	235,022
Total General Revenues					40,092,702	123	40,092,825
Change in Net Position					2,018,130	203,153	2,221,283
Net Position - Beginning					15,116,584	181,949	15,298,533
Net Position - Ending					\$ 17,134,714	\$ 385,102	\$ 17,519,816

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, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,433,606		\$ 2,433,606
Receivables from State Government	1,339,941		1,339,941
Receivables from Federal Government		\$ 81,598	81,598
Other Receivables		25,410	25,410
Interfunds Receivable	68,997		68,997
Restricted Cash and Cash Equivalents	<u>3,604,865</u>	<u>356,584</u>	<u>3,961,449</u>
Total Assets	<u>\$ 7,447,409</u>	<u>\$ 463,592</u>	<u>\$ 7,911,001</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 227,742		\$ 227,742
Payable to State Government		\$ 418	418
Payable to Federal Government		25,717	25,717
Interfund Payable	10,607	68,997	79,604
Unearned Revenue	<u>10,000</u>	<u>11,876</u>	<u>21,876</u>
Total Liabilities	<u>248,349</u>	<u>107,008</u>	<u>355,357</u>
Fund Balances:			
Restricted for:			
Capital Reserve	3,387,006		3,387,006
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	190,751		190,751
Unemployment Compensation	217,859		217,859
Student Activities		158,131	158,131
Scholarships		198,453	198,453
Assigned:			
Designated For Subsequent Year's Expenditures	737,221		737,221
Year-end Encumbrances	615,984		615,984
Unassigned	<u>2,050,239</u>		<u>2,050,239</u>
Total Fund Balances	<u>7,199,060</u>	<u>356,584</u>	<u>7,555,644</u>
Total Liabilities and Fund Balances	<u>\$ 7,447,409</u>	<u>\$ 463,592</u>	

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.	\$ 33,806,953
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt.	(1,126,366)
Deferred amount on refunding is not reported as an expense in the Governmental Funds in the year of expense.	370,414
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.	(232,658)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(6,346,271)
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	847,167
Deferred Inflows of Resources Related to Pensions	(3,976,521)
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	<u>(13,763,648)</u>
Net Position of Governmental Activities	<u>\$ 17,134,714</u>

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, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 38,334,406		\$ 1,513,542	\$ 39,847,948
Tuition	20,700			20,700
Interest Earned	9,732			9,732
Miscellaneous	235,022	\$ 443,523		678,545
Total - Local Sources	38,599,860	443,523	1,513,542	40,556,925
State Sources	13,242,942	49,069	68,639	13,360,650
Federal Sources		690,439		690,439
Total Revenue	51,842,802	1,183,031	1,582,181	54,608,014
EXPENDITURES:				
Current:				
Regular Instruction	11,919,326	21,976		11,941,302
Special Education Instruction	3,911,661	72,363		3,984,024
Other Special Instruction	481,143			481,143
Other Instruction	1,028,008			1,028,008
Support Services and Undistributed Costs:				
Tuition	1,542,669	358,996		1,901,665
Student & Instruction Related Services	6,114,712	507,949		6,622,661
General Administrative Services	647,138			647,138
School Administrative Services	1,915,917			1,915,917
Central Services	429,804			429,804
Administrative Information Technology	101,879			101,879
Plant Operations and Maintenance	3,289,804			3,289,804
Pupil Transportation	2,697,391			2,697,391
Unallocated Benefits	16,125,909			16,125,909
Transfer of Funds to Charter Schools	7,688			7,688
Debt Service:				
Principal			985,000	985,000
Interest and Other Charges			597,181	597,181
Capital Outlay	484,150	226,694		710,844
Total Expenditures	50,697,199	1,187,978	1,582,181	53,467,358
Excess/(Deficit) of Revenue Over/(Under) Expenditures	1,145,603	(4,947)		1,140,656
Net Change in Fund Balances	1,145,603	(4,947)		1,140,656
Fund Balance — July 1	6,053,457	361,531		6,414,988
Fund Balance — June 30	\$ 7,199,060	\$ 356,584	\$ -0-	\$ 7,555,644

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, 2022

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:		\$ 1,140,656
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 exceeded capital outlays.	Depreciation expense \$ (1,248,377) Capital outlays <u>58,188</u>	(1,190,189)
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 (+).		(100,060)
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. (+)		7,408
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		2,086,631
Change in Deferred Outflows of Resources Related to Pensions		(538,956)
Change in Deferred Inflows of Resources Related to Pensions		(415,763)
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>\$ 2,018,130</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, 2022

	<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	\$ 258,909	\$ 82,272	\$ 341,181
Accounts Receivable:			
Federal	44,274		44,274
State	1,019		1,019
Interfund Receivable	10,607		10,607
Inventories	15,689		15,689
Total Current Assets	<u>330,498</u>	<u>82,272</u>	<u>412,770</u>
Non-Current Assets:			
Capital Assets	418,681		418,681
Less: Accumulated Depreciation	<u>(381,593)</u>		<u>(381,593)</u>
Total Non-Current Assets	<u>37,088</u>		<u>37,088</u>
Total Assets	<u>367,586</u>	<u>82,272</u>	<u>449,858</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	38,488		38,488
Unearned Revenue - Prepaid Sales	22,204		22,204
Unearned Revenue - Donated Commodities	<u>4,064</u>		<u>4,064</u>
Total Current Liabilities	<u>64,756</u>		<u>64,756</u>
<u>NET POSITION:</u>			
Investment in Capital Assets	37,088		37,088
Unrestricted	<u>265,742</u>	<u>82,272</u>	<u>348,014</u>
Total Net Position	<u>\$ 302,830</u>	<u>\$ 82,272</u>	<u>\$ 385,102</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 146,603		\$ 146,603
Total Operating Revenue	146,603		146,603
Operating Expenses:			
Cost of Sales - Reimbursable Programs	286,782		286,782
Salaries, Benefits & Payroll Taxes	219,085		219,085
Management Fee	17,767		17,767
Depreciation Expense	6,153		6,153
Supplies and Materials	61,495		61,495
Administrative Expense	6,020		6,020
Total Operating Expenses	597,302		597,302
Operating (Loss)	(450,699)		(450,699)
Non-Operating Income:			
Local Sources:			
Interest Income		\$ 123	123
State Sources:			
State School Lunch Program:			
COVID-19 Seamless Summer Option	14,042		14,042
Supplemental	821		821
Federal Sources:			
National School Lunch Program -			
COVID-19 Seamless Summer Option	597,618		597,618
Food Distribution Program	34,343		34,343
COVID-19 - Emergency Operational Cost Program	5,663		5,663
COVID-19 Pandemic EBT Food Benefits	1,242		1,242
Total Non-Operating Income	653,729	123	653,852
Change in Net Position	203,030	123	203,153
Net Position - Beginning of Year	99,800	82,149	181,949
Net Position - End of Year	\$ 302,830	\$ 82,272	\$ 385,102

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, 2022

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 143,467		\$ 143,467
Payments to Food Service Vendor	(511,448)		(511,448)
Payments to Suppliers	(9,046)		(9,046)
Net Cash (Used for) Operating Activities	(377,027)		(377,027)
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	(3,950)		(3,950)
Net Cash Flows (Used for) Capital Financing Activities	(3,950)		(3,950)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	608,898		608,898
Net Cash Provided by Noncapital Financing Activities	608,898		608,898
Cash Flows from Investing Activities:			
Investment Income		\$ 123	123
Net Cash Flows Provided by Investing Activities		123	123
Net Increase in Cash and Cash Equivalents	227,921	123	228,044
Cash and Cash Equivalents, July 1	30,988	82,149	113,137
Cash and Cash Equivalents, June 30	\$ 258,909	\$ 82,272	\$ 341,181
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (450,699)		\$ (450,699)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:			
Federal Food Distribution Program	34,343		34,343
Depreciation Expense	6,153		6,153
Changes in Assets and Liabilities:			
(Increase) in Inventory	(3,929)		(3,929)
Increase in Accounts Payable	38,488		38,488
(Decrease) in Unearned Revenue - Prepaid Sales	(3,136)		(3,136)
Increase in Unearned Revenue - Donated Commodities	1,753		1,753
Net Cash (Used for) Operating Activities	\$ (377,027)	\$ -0-	\$ (377,027)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$36,096 and utilized \$34,343 for the fiscal year ended June 30, 2022.

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, 2022

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. 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, 2022
(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. Separate statements for each fund category – *governmental and proprietary* – 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, 2022
(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 or lease 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.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary 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, 2022
(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 or lease asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under financed purchases 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, 2022 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 except for student activities and scholarships. 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, 2022
(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	\$ 51,866,632	\$ 1,200,051
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		(17,020)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	187,091	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(210,921)	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 51,842,802	\$ 1,183,031
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 50,697,199	\$ 1,204,998
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.		(17,020)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 50,697,199	\$ 1,187,978

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022
(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, 2022.

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, 2022
(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. Lease Assets

Intangible right-to-use lease assets are assets which the District leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. 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.

N. 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.

O. 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.

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.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

P. Lease Payable

In the district-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

Q. Unearned Revenue

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

R. Fund Balance Appropriated

General Fund: Of the \$7,199,060 General Fund fund balance at June 30, 2022, \$615,984 is assigned for encumbrances; \$737,221 is assigned and designated for subsequent year's expenditures; \$3,387,006 is restricted in the capital reserve account; \$217,859 is restricted for unemployment compensation; \$190,751 is restricted for prior year excess surplus in accordance with N.J.S.A. 18A:7F-7 and is included as anticipated revenue for the fiscal year ended June 30, 2023; and \$2,050,239 is unassigned which is \$210,921 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, 2023.

Special Revenue Fund: Of the \$356,584 Special Revenue Fund fund balance at June 30, 2022, \$158,131 is restricted for student activities and \$198,453 is restricted for scholarships.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2022.

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.

S. 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, 2022 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, 2022.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

S. Net Position (Cont'd)

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, lease assets, net of accumulated amortization 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.

T. Deficit Net Position

The District's governmental activities has a \$8,164,853 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.

U. Fund Balance Restrictions, Commitments and Assignments

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

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, 2022.

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, 2022.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

V. 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.

W. 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.

X. 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.

Y. 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, 2022
(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 in the section of this note on investments.

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, 2022
(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, 2022
(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, 2022, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	
Accounts		Capital Reserve Account	Unemployment Compensation
Checking Accounts	\$ 2,774,787	\$ 3,387,006	\$ 217,859
	Restricted Cash and Cash Equivalents		
Accounts	Student Activities	Scholarships	Total
Checking Accounts	\$ 158,131	\$ 198,453	\$ 6,736,236

During the period ending June 30, 2022, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2022 was \$6,736,236 and the bank balance was \$8,420,468.

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, 2022
(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, 2021 to June 30, 2022 fiscal year is as follows:

Beginning Balance, July 1, 2021	\$ 2,984,606
Interest Earned	989
Increase per Board Resolution	679,211
Budgeted Withdrawal	<u>(277,800)</u>
Ending Balance, June 30, 2022	<u>\$ 3,387,006</u>

The balance in the capital reserve account at June 30, 2022 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, 2022 were as follows:

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
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	\$ 6,450		60,740,853
Machinery and Equipment	5,755,465	51,738		5,807,203
Total Assets Being Depreciated	<u>66,489,868</u>	<u>58,188</u>		<u>66,548,056</u>
Governmental Activities Capital Assets	<u>66,535,678</u>	<u>58,188</u>		<u>66,593,866</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(26,295,483)	(1,116,389)		(27,411,872)
Machinery and Equipment	(5,243,053)	(131,988)		(5,375,041)
Total Accumulated Depreciation	<u>(31,538,536)</u>	<u>(1,248,377)</u>		<u>(32,786,913)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 34,997,142</u>	<u>\$ (1,190,189)</u>	<u>\$ -0-</u>	<u>\$ 33,806,953</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital assets balances and activity for the year ended June 30, 2022 were as follows: (Cont'd)

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
Business-Type Activities:				
Machinery and Equipment	\$ 414,731	\$ 3,950		\$ 418,681
Less: Accumulated Depreciation	(375,440)	(6,153)		(381,593)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 39,291</u>	<u>\$ (2,203)</u>	<u>\$ -0-</u>	<u>\$ 37,088</u>

Depreciation expense was charged to governmental functions as follows:

	Amount
Regular Instruction	\$ 22,500
General Administrative Services	3,547
Plant Operations and Maintenance	14,010
Pupil Transportation	82,667
Unallocated	<u>1,125,653</u>
Total Depreciation Expense	<u>\$ 1,248,377</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2022, the District transferred \$173,428 to the capital outlay accounts; \$160,528 for equipment for which County Superintendent approval was not required and \$12,900 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, 2022, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2021	Issued/ Accrued	Retired	Balance June 30, 2022
Serial Bonds Payable	\$ 14,015,000		\$ 985,000	\$ 13,030,000
Unamortized Bond Premium	1,275,310		148,944	1,126,366
Net Pension Liability	8,432,902		2,086,631	6,346,271
Compensated Absences	633,588	\$ 167,456	67,396	<u>733,648</u>
Total	<u>\$ 24,356,800</u>	<u>\$ 167,456</u>	<u>\$ 3,287,971</u>	<u>\$ 21,236,285</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022 as follows:

Purpose	Issue Dates	Interest Rates	Final Date of Maturity	Balance June 30, 2022
Refunding Bond of 2002 Issue	9/14/2010	3.125-3.25%	10/1/2023	\$ 1,875,000
Refunding Bond of 2006/2007 Issues	2/10/2015	3.00-5.00%	2/1/2033	11,155,000
				<u>\$ 13,030,000</u>

The current portion of bonds payable at June 30, 2022 is \$1,005,000 and the long-term portion is \$12,025,000.

Debt service requirements on serial bonds payable at June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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
2026	1,015,000	471,775	1,486,775
2027	1,120,000	421,025	1,541,025
Thereafter:			
2028-2032	6,540,000	1,267,513	7,807,513
2033	1,395,000	66,262	1,461,262
	<u>\$ 13,030,000</u>	<u>\$ 3,847,204</u>	<u>\$ 16,877,204</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2022, the Board has no bonds authorized but not issued.

C. Financed Purchases Payable:

As of June 30, 2022, the Board has no financed purchases payable.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022, the current portion of the liability is \$148,944, and the long-term portion is \$977,422.

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 \$733,648 compensated absences payable balance at June 30, 2022 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, 2022, 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 long-term liabilities and will be liquidated by the General Fund. The entire \$6,346,271 net pension liability at June 30, 2022 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 annual financial statements 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, 2022
(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, Tiers 3 and 4 with 25 years or more of service credit before age 62 and Tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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 \$627,937 for fiscal year 2022.

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, 2022, the District reported a liability of \$6,346,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(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, 2021, the District's proportion was 0.0536%, which was an increase of 0.0018% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized an actual pension benefit of \$486,602. At June 30, 2022, 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:	2017	5.48		\$ 268,195
	2018	5.63		502,809
	2019	5.21		443,565
	2020	5.16		1,044,745
	2021	5.13	\$ 33,051	
Subtotal			33,051	2,259,314
Changes in Proportion:	2017	5.48	49,462	
	2018	5.63	11,843	
	2019	5.21	160,070	
	2020	5.16	166,297	
	2021	5.13	326,355	
Subtotal			714,027	
Difference Between Expected and Actual Experience:	2017	5.48	7,977	
	2018	5.63		19,148
	2019	5.21	33,906	
	2020	5.16	58,206	
	2021	5.13		26,284
Subtotal			100,089	45,432
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2017	5.00		
	2018	5.00		49,574
	2019	5.00		(15,996)
	2020	5.00		(360,494)
	2021	5.00		1,998,691
Subtotal				1,671,775
District Contribution Subsequent to the Measurement Date:	2021	1.00	676,593	
			\$ 1,523,760	\$ 3,976,521

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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 the pension benefit as follows:

Fiscal Year Ending June 30,	Total
2022	\$ (1,497,444)
2023	(1,069,171)
2024	(728,992)
2025	(547,986)
2026	212
	\$ (3,843,381)

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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-2021.

The actuarial assumptions used in the July 1, 2020 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, 2022
(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, 2021) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2021 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, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 8,642,334	\$ 6,346,271	\$ 4,397,736
<u>Pension plan Fiduciary Net Position</u>			

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 annual financial statements 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, 2022
(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, Tiers 3 and 4 with 25 years or more of service credit before age 62 and Tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for their 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 2021, 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2022, the State of New Jersey contributed \$6,683,104 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$4,877,970.

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, 2022, the State's proportionate share of the net pension liability associated with the District was \$80,023,306. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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, 2021, the District's proportion was 0.1665%, which was an increase of 0.0029% from its proportion measured as of June 30, 2020.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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	<u>80,023,306</u>

Total	<u>\$ 80,023,306</u>
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For the fiscal year ended June 30, 2021, the State recognized pension expense on behalf of the District in the amount of \$4,877,970 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2022 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	\$ 153,774,925	
2015	8.30 years	926,219,611	
2016	8.30 years	3,000,278,784	
2017	8.30 years		\$ 5,282,196,290
2018	8.29 years		3,527,661,165
2019	8.04 years		2,510,940,613
2020	7.99 years	1,209,286,241	
2021	7.93 years		12,903,483,645
Difference Between Expected and Actual Experience:			
2014	8.50 years		1,464,605
2015	8.30 years	57,204,429	
2016	8.30 years		37,311,034
2017	8.30 years	93,981,436	
2018	8.29 years	618,845,893	
2019	8.04 years		97,553,990
2020	7.99 years		6,444,940
2021	7.93 years	171,234,070	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2018	5 years		96,030,373
2019	5 years		(72,441,385)
2020	5 years		(724,186,621)
2021	5 years		3,554,633,811
		<u>\$ 6,230,825,389</u>	<u>\$ 27,221,092,460</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2022	\$ (2,914,282,899)
2023	(3,500,098,875)
2024	(4,665,036,366)
2025	(4,192,375,542)
2026	(2,350,648,872)
Thereafter	<u>(3,367,824,517)</u>
	<u>\$ (20,990,267,071)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. 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-2021.

The actuarial assumptions used in the July 1, 2020 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, 2022
(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, 2021) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2021 calculated using the discount rate as disclosed below, as well as what the State's proportionate share of the net pension liability associated with 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, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 94,680,938	\$ 80,023,306	\$ 67,711,816

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 \$23,524 for the fiscal year ended June 30, 2022. Employee contributions to DCRP amounted to \$55,470 for the fiscal year ended June 30, 2022.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 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 annual financial statements which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2019, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	149,304
Active Plan Members	<u>216,804</u>
Total	<u><u>366,108</u></u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2020 was determined by an actuarial valuation as of June 30, 2019 which was rolled forward to June 30, 2020.

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 - 4.45%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	1.55 - 4.45%	3.00 - 7.00%
	based on service years	based on service years

The actuarial assumptions used in the June 30, 2019 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) and “General” (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. 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-2020. 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-2020.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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 5.6% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. 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, 2019	\$ 58,437,270
Changes for Year:	
Service Cost	2,388,081
Interest Cost	2,100,868
Difference Between Expected and Actual Experience	16,880,076
Changes in Assumptions	17,474,934
Member Contributions	50,480
Gross Benefit Payments	(1,665,470)
Net Changes	37,228,969
Balance at June 30, 2020	\$ 95,666,239

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, 2020 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, 2020		
	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At 1% Increase (3.21%)
Total OPEB Liability Attributable to the District	\$ 115,330,589	\$ 95,666,239	\$ 80,290,611

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2020 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, 2020		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 77,225,014	\$ 95,666,239	\$ 117,625,639

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$4,585,348 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, 2020, 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		\$ 5,805,832
	2018	9.51		5,110,228
	2019	9.29	\$ 688,804	
	2020	9.24	15,583,708	
			16,272,512	10,916,060
Differences between Expected and Actual Experience	2018	9.51		4,830,756
	2019	9.29		8,107,265
	2020	9.24	14,524,627	
			14,524,627	12,938,021
Changes in Proportion	N/A	N/A	1,186,218	887,081
			\$ 31,983,357	\$ 24,741,162

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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
2021	\$ 61,286
2022	61,286
2023	61,286
2024	61,286
2025	61,286
Total Thereafter	6,636,632
	\$ 6,943,058

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, 2022
(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 Annual Comprehensive 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 unemployment restricted fund balance in the General 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>
2021-2022	\$ 126,444	\$ 284	\$ 95,332	\$ 217,859
2020-2021	109,480	282	71,466	186,463
2019-2020	76,181	274	73,907	148,167

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 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, 2022
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

The June 30, 2022 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, 2021 is as follows:

<u>Year Ended</u> <u>June 30, 2021</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	<u>\$ 21,110,862</u>
Net Position	<u>\$ 8,372,678</u>
Total Revenue	<u>\$ 8,839,781</u>
Total Expenses	<u>\$ 7,439,223</u>
Member Dividends	<u>\$ 1,090,962</u>
Change in Net Position	<u>\$ 309,596</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, 2022
(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, 2022, if any, is unknown.

Encumbrances

At June 30, 2022, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 615,984	\$ 17,020	\$ 633,004

On the District's Governmental Fund Balance Sheet as of June 30, 2022, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$17,020 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, 2022
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables as of June 30, 2022.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 68,997	\$ 10,607
Special Revenue Fund		68,997
Enterprise Fund - Food Service	10,607	
	\$ 79,604	\$ 79,604

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 reimbursements.

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2022 were as follows:

	Governmental Funds General Fund	District Contribution Subsequent to Measurement Date	Total Governmental Activities	Business-Type Activities Proprietary Funds
Due to State of New Jersey		\$ 676,593	\$ 676,593	\$ 38,488
Accrued Salaries and Wages	\$ 1,132		1,132	
Payroll Deductions and Withholdings	226,610		226,610	
	\$ 227,742	\$ 676,593	\$ 904,335	\$ 38,488

**SCHEDULES OF
REQUIRED SUPPLEMENTARY INFORMATION**

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT 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	2021	2022
District's Proportion of the Net Pension Liability	0.0505060404%	0.0517121647%	0.0535708572%
District's Proportionate Share of the Net Pension Liability	\$ 9,100,422	\$ 8,432,902	\$ 6,346,271
District's Covered Employee Payroll	\$ 3,656,473	\$ 3,860,962	\$ 3,982,027
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	248.89%	218.41%	159.37%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	56.27%	58.32%	70.33%

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 BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT 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	(327,943)	(375,884)	(409,267)	(469,189)	(488,289)
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	2021	2022
Contractually Required Contribution	\$ 493,688	\$ 583,639	\$ 627,377
Contributions in relation to the Contractually Required Contribution	(493,688)	(583,639)	(627,377)
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 3,860,962	\$ 3,982,027	\$ 4,070,338
Contributions as a percentage of Covered Employee Payroll	12.79%	14.66%	15.41%

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

KINNELON BOROUGH SCHOOL DISTRICT
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 EIGHT 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%
	Fiscal Year Ending June 30,				
	2020	2021	2022		
State's Proportion of the Net Pension Liability attributable to the District	0.1621803979%	0.1635896643%	0.1664544814%		
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 99,531,641	\$ 107,721,826	\$ 80,023,306		
District's Covered Employee Payroll	\$ 18,279,018	\$ 18,094,806	\$ 18,702,512		
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%	595.32%	427.87%		
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	26.95%	24.60%	35.52%		

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 BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST EIGHT 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	<u>(793,383)</u>	<u>(1,219,106)</u>	<u>(1,755,138)</u>	<u>(2,449,591)</u>	<u>(3,189,696)</u>
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%

	Fiscal Year Ending June 30,		
	2020	2021	2022
Contractually Required Contribution	\$ 5,870,642	\$ 6,698,602	\$ 4,877,970
Contributions in relation to the Contractually Required Contribution	<u>(3,588,148)</u>	<u>(4,838,631)</u>	<u>(6,683,104)</u>
Contribution Deficiency/(Excess)	<u>\$ 2,282,494</u>	<u>\$ 1,859,971</u>	<u>\$ (1,805,134)</u>
District's Covered Employee Payroll	\$ 18,094,806	\$ 18,702,512	\$ 18,927,011
Contributions as a percentage of Covered Employee Payroll	19.83%	25.87%	35.31%

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 BOROUGH SCHOOL DISTRICT
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 FOUR FISCAL YEARS

	Fiscal Year Ending June 30,			
	2017	2018	2019	2020
Total OPEB Liability				
Service Cost	\$ 3,213,423	\$ 2,669,302	\$ 2,334,677	\$ 2,388,081
Interest Cost	2,391,220	2,768,332	2,532,735	2,100,868
Difference Between Expected and Actual Experience		(7,949,087)	(9,533,529)	16,880,076
Changes in Assumptions	(9,968,959)	(7,341,194)	871,304	17,474,934
Member Contributions	64,373	59,121	53,175	50,480
Gross Benefit Payments	<u>(1,748,205)</u>	<u>(1,710,609)</u>	<u>(1,793,850)</u>	<u>(1,665,470)</u>
Net Change in Total OPEB Liability	(6,048,148)	(11,504,135)	(5,535,488)	37,228,969
Total OPEB Liability - Beginning	<u>81,525,041</u>	<u>75,476,893</u>	<u>63,972,758</u>	<u>58,437,270</u>
Total OPEB Liability - Ending	<u>\$ 75,476,893</u>	<u>\$ 63,972,758</u>	<u>\$ 58,437,270</u>	<u>\$ 95,666,239</u>
District's Covered Employee Payroll *	\$ 20,187,023	\$ 20,172,706	\$ 21,374,605	\$ 21,935,491
Total OPEB Liability as a Percentage of Covered Employee Payroll	374%	317%	273%	436%

* - Covered payroll for the fiscal years ending June 30, 2020, 2019, 2018 and 2017 are based on the payroll on the June 30, 2019, 2018, 2017 and 2016 census data.

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021.

In the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

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, 2020 was 2.21%. The discount rate for June 30, 2019 was 3.50%, a change of -1.29%.

The mortality rates in the valuation as of June 30, 2020 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. 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-2020. 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-2020.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

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, 2020 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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, 2022

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 38,334,406		\$ 38,334,406	\$ 38,334,406	
Tuition from Individuals	29,070		29,070	20,700	(8,370)
Tuition from Other LEAs Within the State	74,330		74,330		(74,330)
Interest Revenue				8,743	8,743
Interest Revenue - Capital Reserve				989	989
Miscellaneous	150,000		150,000	235,022	85,022
Total - Local Sources	38,587,806		38,587,806	38,599,860	12,054
State Sources:					
Transportation Aid	430,416		430,416	430,416	
Special Education Aid	1,572,117		1,572,117	1,572,117	
Security Aid	164,769		164,769	164,769	
Extraordinary Aid	650,000		650,000	1,249,011	599,011
Nonpublic School Transportation Costs				23,200	23,200
Securing Our Children's Future Bond Act				103,773	103,773
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				6,683,104	6,683,104
Post-Retirement Medical Benefits (Non-Budgeted)				1,583,473	1,583,473
Non-Contributory Insurance (Non-Budgeted)				94,289	94,289
Long-Term Disability Insurance (Non-Budgeted)				1,658	1,658
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,360,962	1,360,962
Total State Sources	2,817,302		2,817,302	13,266,772	10,449,470
TOTAL REVENUES	41,405,108		41,405,108	51,866,632	10,461,524

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 282,705	\$ 45,810	\$ 328,515	\$ 328,468	\$ 47
Grades 1-5 - Salaries of Teachers	3,265,972	85,819	3,351,791	3,337,956	13,835
Grades 6-8 - Salaries of Teachers	3,087,165	(56,237)	3,030,928	3,030,927	1
Grades 9-12 - Salaries of Teachers	4,547,763	25,649	4,573,412	4,561,782	11,630
Regular Programs - Home Instruction:					
Salaries of Teachers	13,400	(2,133)	11,267	9,267	2,000
Purchased Professional - Educational Services	29,500	(1,675)	27,825	19,502	8,323
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	129,463	(4,377)	125,086	115,151	9,935
Other Purchased Services (400-500 series)	196,889	(8,575)	188,314	161,027	27,287
General Supplies	388,507	(23,434)	365,073	320,200	44,873
Textbooks	68,111	(30,570)	37,541	35,046	2,495
Total Regular Programs - Instruction	12,009,475	30,277	12,039,752	11,919,326	120,426
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	188,884	114,805	303,689	303,687	2
Other Salaries for Instruction	62,975	(6,664)	56,311	31,788	24,523
General Supplies	1,875		1,875	1,660	215
Total Learning and/or Language Disabilities	253,734	108,141	361,875	337,135	24,740
Auditory Impairments:					
Salaries of Teachers	35,631	(3,000)	32,631	32,631	
General Supplies	1,600		1,600	1,050	550
Total Auditory Impairments	37,231	(3,000)	34,231	33,681	550

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 187,234	\$ (12,124)	\$ 175,110	\$ 175,110	
Other Salaries for Instruction	32,452		32,452	32,452	
General Supplies	4,730	(1,825)	2,905	2,185	\$ 720
Total Multiple Disabilities	224,416	(13,949)	210,467	209,747	720
Resource Room/Resource Center:					
Salaries of Teachers	2,332,828	(65,933)	2,266,895	2,266,805	90
Other Salaries for Instruction	507,367	(64,302)	443,065	441,795	1,270
General Supplies	7,648	140	7,788	7,318	470
Total Resource Room/Resource Center	2,847,843	(130,095)	2,717,748	2,715,918	1,830
Autism:					
Salaries of Teachers	159,134	(1,094)	158,040	158,037	3
Other Salaries for Instruction	215,931	(34,650)	181,281	179,402	1,879
General Supplies	2,000	825	2,825	2,398	427
Total Autism	377,065	(34,919)	342,146	339,837	2,309
Preschool Disabilities - Part-time:					
Salaries of Teachers	140,174	2,825	142,999	142,999	
Other Salaries for Instruction	80,380	(11,624)	68,756	67,839	917
General Supplies	1,544		1,544	1,164	380
Total Preschool Disabilities - Part-time	222,098	(8,799)	213,299	212,002	1,297
Home Instruction:					
Salaries of Teachers	53,500	(3,947)	49,553	48,051	1,502
Purchased Professional - Educational Services	10,820	24,529	35,349	15,290	20,059
Total Home Instruction	64,320	20,582	84,902	63,341	21,561

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Total Special Education Instruction	\$ 4,026,707	\$ (62,039)	\$ 3,964,668	\$ 3,911,661	\$ 53,007
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	408,519	11,793	420,312	420,312	
General Supplies	2,400		2,400	1,451	949
Total Basic Skills/Remedial - Instruction	410,919	11,793	422,712	421,763	949
Bilingual Education - Instruction:					
Salaries of Teachers	59,289		59,289	59,289	
General Supplies	200		200	91	109
Total Bilingual Education - Instruction	59,489		59,489	59,380	109
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	231,673	10,220	241,893	240,940	953
Supplies and Materials	7,800	4,500	12,300	7,795	4,505
Other Objects	4,380	26,299	30,679	28,568	2,111
Total School-Sponsored Cocurricular Activities - Instruction	243,853	41,019	284,872	277,303	7,569
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	522,070	(1,636)	520,434	501,171	19,263
Purchased Services (300-500 series)	180,862	(24,491)	156,371	142,243	14,128
Supplies and Materials	114,022	(29,293)	84,729	75,448	9,281
Other Objects	25,000	(3,141)	21,859	21,732	127
Transfer to Cover Deficit (Agency Fund)	21,480	(10,385)	11,095	10,111	984
Total School-Sponsored Cocurricular Athletics - Instruction	863,434	(68,946)	794,488	750,705	43,783
Total Instruction	17,613,877	(47,896)	17,565,981	17,340,138	225,843

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	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	\$ 14,500	\$ (14,500)			
Tuition to Other LEAs Within the State - Special	192,048	(32,573)	\$ 159,475	\$ 159,404	\$ 71
Tuition to County Vocational Schools - Regular	167,475	82,699	250,174	250,174	
Tuition to County Vocational Schools - Special	13,000	(4,223)	8,777	8,777	
Tuition to Private Schools for the Disabled - Within State	1,385,292	(197,362)	1,187,930	1,124,314	63,616
Total Undistributed Expenditures - Instruction	1,772,315	(165,959)	1,606,356	1,542,669	63,687
Attendance and Social Work Services:					
Salaries	25,925		25,925	25,925	
Total Attendance and Social Work Services	25,925		25,925	25,925	
Health Services:					
Salaries	481,275	(14,932)	466,343	466,341	2
Purchased Professional and Technical Services	27,850	(7,096)	20,754	20,114	640
Supplies and Materials	9,225	(2,185)	7,040	7,013	27
Total Health Services	518,350	(24,213)	494,137	493,468	669
Other Support Services - Students - Speech OT, PT and Related Services:					
Salaries	532,562	44,122	576,684	576,668	16
Purchased Professional - Educational Services	31,024	13,945	44,969	44,133	836
Supplies and Materials	10,250	(4,221)	6,029	5,129	900
Total Other Support Services - Students - Speech OT, PT and Related Services	573,836	53,846	627,682	625,930	1,752
Other Support Services - Students - Extraordinary Services:					
Salaries	634,349	159,508	793,857	789,581	4,276
Purchased Professional - Educational Services	830,000	(130,945)	699,055	639,238	59,817
Total Other Support Services - Students - Extraordinary Services	1,464,349	28,563	1,492,912	1,428,819	64,093

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	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	\$ 871,333	\$ 16,354	\$ 887,687	\$ 886,640	\$ 1,047
Salaries of Secretarial and Clerical Assistants	120,450		120,450	120,450	
Supplies and Materials	37,462	(7,000)	30,462	30,176	286
Total Other Support Services - Students - Guidance	1,029,245	9,354	1,038,599	1,037,266	1,333
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	967,055	74,821	1,041,876	1,041,874	2
Salaries of Secretarial and Clerical Assistants	98,163		98,163	98,163	
Purchased Professional - Educational Services	44,550	(13,772)	30,778	24,747	6,031
Other Purchased Services	24,940	4,041	28,981	12,971	16,010
Supplies and Materials	14,425	(4,928)	9,497	8,392	1,105
Other Objects	3,000	1,000	4,000	2,639	1,361
Total Other Support Services - Students - Child Study Teams	1,152,133	61,162	1,213,295	1,188,786	24,509
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	557,898	(34,767)	523,131	523,130	1
Salaries of Other Professional Staff	67,050		67,050	67,050	
Purchased Professional - Educational Services	20,000		20,000	1,550	18,450
Other Purchased Services (400-500 series)	6,680		6,680	129	6,551
Supplies and Materials	1,640		1,640	663	977
Other Objects	5,215		5,215	617	4,598
Total Improvement of Instructional Services	658,483	(34,767)	623,716	593,139	30,577

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 415,838		\$ 415,838	\$ 415,838	
Salaries of Technology Coordinators	194,988	\$ 5,996	200,984	200,983	\$ 1
Supplies and Materials	51,192	1,375	52,567	51,186	1,381
Total Educational Media Services/School Library	662,018	7,371	669,389	668,007	1,382
Instructional Staff Training Services:					
Salaries of Other Professional Staff	23,414	(12,624)	10,790	907	9,883
Purchased Professional - Educational Services	45,800	6,624	52,424	38,663	13,761
Other Purchased Services (400-500 series)	21,785		21,785	13,090	8,695
Supplies and Materials	1,949		1,949	712	1,237
Total Instructional Staff Training Services	92,948	(6,000)	86,948	53,372	33,576
Support Services - General Administration:					
Salaries	270,841	6,865	277,706	277,705	1
Legal Services	110,000	37,841	147,841	143,826	4,015
Audit Fees	38,500	(1,050)	37,450	37,450	
Other Purchased Professional Services	5,150	(3,150)	2,000	2,000	
Communications/Telephone	156,400	(4,139)	152,261	146,338	5,923
BOE Other Purchased Services	5,000	(3,121)	1,879	1,872	7
Miscellaneous Purchased Services (400-500 series)	4,000	17,739	21,739	13,387	8,352
General Supplies	4,910	509	5,419	5,214	205
Miscellaneous Expenditures	3,500		3,500	3,484	16
BOE Membership Dues and Fees	16,500	(625)	15,875	15,862	13
Total Support Services - General Administration	614,801	50,869	665,670	647,138	18,532

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	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	\$ 1,294,877	\$ (22,660)	\$ 1,272,217	\$ 1,271,762	\$ 455
Salaries of Secretarial and Clerical Assistants	414,201	(3,560)	410,641	410,472	169
Purchased Professional and Technical Services	75,870	22,900	98,770	97,325	1,445
Other Purchased Services (400-500 series)	122,320	820	123,140	111,430	11,710
Supplies and Materials	13,097	5,854	18,951	12,905	6,046
Other Objects	13,065	750	13,815	12,023	1,792
Total Support Services - School Administration	1,933,430	4,104	1,937,534	1,915,917	21,617
Central Services:					
Salaries	362,173	7,754	369,927	369,927	
Purchased Professional Services	20,175	(4,975)	15,200	7,615	7,585
Purchased Technical Services	29,500	15	29,515	28,974	541
Miscellaneous Purchased Services (400-500 series)	8,790		8,790	6,472	2,318
Supplies and Materials	11,748	2,660	14,408	14,165	243
Other Objects	3,140	(445)	2,695	2,651	44
Total Central Services	435,526	5,009	440,535	429,804	10,731
Administration Information Technology:					
Salaries	96,350	1,501	97,851	97,850	1
Purchased Technical Services	6,200	(256)	5,944	4,029	1,915
Total Administration Information Technology	102,550	1,245	103,795	101,879	1,916

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 192,759	\$ (3,230)	\$ 189,529	\$ 189,528	\$ 1
Cleaning, Repair and Maintenance Services	208,270	10,720	218,990	211,937	7,053
General Supplies	44,187	(7,624)	36,563	35,476	1,087
Total Required Maintenance of School Facilities	445,216	(134)	445,082	436,941	8,141
Custodial Services:					
Salaries	1,179,136	(41,156)	1,137,980	1,137,939	41
Salaries of Non-Instructional Aides	62,431	12,006	74,437	74,437	
Purchased Professional and Technical Services	40,015	17,132	57,147	47,563	9,584
Cleaning, Repair and Maintenance Services	123,285	(12,421)	110,864	104,985	5,879
Other Purchased Property Services	89,000	13,322	102,322	91,641	10,681
Insurance	305,774	9,134	314,908	314,908	
General Supplies	115,838	(3,542)	112,296	96,378	15,918
Energy (Natural Gas)	190,750	39,049	229,799	214,229	15,570
Energy (Electricity)	404,000	(15,933)	388,067	366,109	21,958
Other Objects	23,350	(11,760)	11,590	8,293	3,297
Total Custodial Services	2,533,579	5,831	2,539,410	2,456,482	82,928
Care and Upkeep of Grounds:					
Salaries	141,778	235	142,013	141,852	161
Cleaning, Repair & Maintenance Services	126,550	26,790	153,340	131,714	21,626
General Supplies	50,041	(7,035)	43,006	26,290	16,716
Total Care and Upkeep of Grounds	318,369	19,990	338,359	299,856	38,503
Security:					
Purchased Professional and Technical Services	90,000		90,000	90,000	
General Supplies	15,464	12,477	27,941	6,525	21,416
Total Security	105,464	12,477	117,941	96,525	21,416

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	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	\$ 30,000	\$ (18,574)	\$ 11,426	\$ 11,425	\$ 1
Between Home and School - Regular	416,521	52,051	468,572	468,571	1
Cleaning, Repair, & Maintenance Services	48,600	43,586	92,186	90,902	1,284
Lease Purchase Payments - School Buses	57,121	(57,121)			
Contracted Services:					
Aid in Lieu Payments - Nonpublic Students	94,631	(11,000)	83,631	81,409	2,222
Between Home and School - Vendors	968,291	86,196	1,054,487	1,054,370	117
Other than Between Home and School - Vendors	52,141	(20,107)	32,034	23,944	8,090
Special Education - ESC's & CTSA's	953,200	(950)	952,250	952,249	1
Miscellaneous Purchased Services - Transportation	6,800	(4,184)	2,616	2,340	276
General Supplies	57,640	(44,550)	13,090	11,531	1,559
Other Objects	1,060		1,060	650	410
Total Student Transportation Services	2,686,005	25,347	2,711,352	2,697,391	13,961
Unallocated Benefits:					
Social Security Contributions	465,000	76,325	541,325	541,324	1
Other Retirement Contributions - PERS	513,688	116,751	630,439	627,937	2,502
Other Retirement Contributions - Regular		23,524	23,524	23,524	
Unemployment Compensation	7,000	(7,000)			
Workmen's Compensation	224,870	(71,456)	153,414	153,414	
Health Benefits	5,204,507	(183,246)	5,021,261	4,858,618	162,643
Tuition Reimbursement	153,000	(18,475)	134,525	130,210	4,315
Other Employee Benefits	137,000	(136,205)	795	795	
Unused Sick Payment to Terminated/Retired Staff	24,242	43,155	67,397	67,396	1
Total Unallocated Benefits	6,729,307	(156,627)	6,572,680	6,402,423	170,257

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				\$ 6,683,104	\$ (6,683,104)
Post-Retirement Medical Benefits (Non-Budgeted)				1,583,473	(1,583,473)
Non-Contributory Insurance (Non-Budgeted)				94,289	(94,289)
Long-Term Disability Insurance (Non-Budgeted)				1,658	(1,658)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,360,962	(1,360,962)
Total On-Behalf and Reimbursed TPAF Contributions				9,723,486	(9,723,486)
Total Personal Services - Employee Benefits	\$ 6,729,307	\$ (156,627)	\$ 6,572,680	16,125,909	(9,553,229)
Total Undistributed Expenses	23,853,849	(102,532)	23,751,317	32,865,223	(9,113,906)
TOTAL CURRENT EXPENSE	41,467,726	(150,428)	41,317,298	50,205,361	(8,888,063)
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	95,900	(14,741)	81,159	31,326	49,833
Grades 6-8	41,700	(2,235)	39,465	12,833	26,632
Grades 9-12	150,548	63,087	213,635	104,106	109,529
Undistributed Expenditures:					
Required Maintenance for School Facilities	179,737	113,672	293,409	145,547	147,862
Security	121,868	(14,721)	107,147	107,126	21
Non-Instructional Equipment		15,466	15,466	15,466	
Total Equipment	589,753	160,528	750,281	416,404	333,877
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		12,900	12,900	9,663	3,237
Other Objects - Debt Service Assessment	58,083		58,083	58,083	
Total Facilities Acquisition and Construction Services	58,083	12,900	70,983	67,746	3,237
TOTAL CAPITAL OUTLAY	647,836	173,428	821,264	484,150	337,114

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ 34,417	\$ (23,000)	\$ 11,417	\$ 7,688	\$ 3,729
TOTAL EXPENDITURES	<u>42,149,979</u>		<u>42,149,979</u>	<u>50,697,199</u>	<u>(8,547,220)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(744,871)</u>		<u>(744,871)</u>	<u>1,169,433</u>	<u>1,914,304</u>
Fund Balance, July 1	6,240,548		6,240,548	6,240,548	
Fund Balance, June 30	<u>\$ 5,495,677</u>	<u>\$ -0-</u>	<u>\$ 5,495,677</u>	<u>\$ 7,409,981</u>	<u>\$ 1,914,304</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 3,387,006	
Excess Surplus - Prior Year - For Subsequent Year's Expenditures				190,751	
Unemployment Compensation				217,859	
Assigned:					
Year-end Encumbrances				615,984	
For Subsequent Year's Expenditures				737,221	
Unassigned				<u>2,261,160</u>	
				<u>7,409,981</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis			<u>(210,921)</u>		
Fund Balance per Governmental Fund on (Exhibit B-2)				<u>\$ 7,199,060</u>	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 49,487		\$ 49,487	\$ 49,069	\$ (418)
Federal Sources	1,294,152		1,294,152	710,282	(583,870)
Local Sources	16,699	\$ 430,095	446,794	440,700	(6,094)
Total Revenues	1,360,338	430,095	1,790,433	1,200,051	(590,382)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	146,192	2,063	148,255	55,682	92,573
Purchased Professional and Technical Services	67,000	(40,500)	26,500	4,740	21,760
Tuition	366,645		366,645	366,645	
General Supplies	92,029		92,029	8,366	83,663
Textbooks	780		780	780	
Other Objects	17,299		17,299	15,552	1,747
Total Instruction	689,945	(38,437)	651,508	451,765	199,743
Support Services:					
Salaries of Other Professional Staff	1		1		1
Purchased Professional and Technical Services	158,276	43,630	201,906	80,558	121,348
Other Purchased Services	140,716	(3,593)	137,123	11,851	125,272
Supplies and Materials	27,670	(1,600)	26,070	4,035	22,035
Other Objects	936		936		936
Student Activities		375,095	375,095	375,095	
Scholarships		55,000	55,000	55,000	
Total Support Services	327,599	468,532	796,131	526,539	269,592
Facilities Acquisition and Construction Services:					
Instructional Equipment	116,100		116,100		116,100
Non-Instructional Equipment	182,264		182,264	182,264	
Buildings	44,430		44,430	44,430	
Total Facilities Acquisition and Construction Services	342,794		342,794	226,694	116,100
Total Expenditures	1,360,338	430,095	1,790,433	1,204,998	585,435
Excess/(Deficit) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ (4,947)	\$ 4,947

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 51,866,632	\$ 1,200,051
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		(17,020)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	187,091	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(210,921)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 51,842,802</u>	<u>\$ 1,183,031</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 50,697,199	\$ 1,204,998
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.		<u>(17,020)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 50,697,199</u>	<u>\$ 1,187,978</u>

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, 2022, 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, 2022

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 except for student activities and scholarships. 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

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, 2022

	Elementary and Secondary Education Act			COVID-19 CRRSA		COVID-19
	Title I			Esser II	Mental Health	ARP
	2020-21	2021-22	2020-21	2020-21		Esser III
REVENUE:						
State Sources						
Federal Sources	\$ 20,841	\$ 21,429	\$ 27,847	\$ 5,070	\$ 115,262	\$ 38,400
Local Sources						\$ 5,485
Total Revenue	\$ 20,841	\$ 21,429	\$ 27,847	\$ 5,070	\$ 115,262	\$ 38,400
						\$ 5,485
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$ 13,050	\$ 20,647	\$ 1,440	\$ 5,070		
Purchased Professional and Technical Services	4,740					
Tuition		782				
General Supplies	1,437					
Textbooks						
Other Objects						
Total Instruction	19,227	21,429	1,440	5,070		
Support Services:						
Purchased Professional and Technical Services	684		11,451		\$ 38,400	\$ 5,485
Other Purchased Services	930		10,921			
Supplies and Materials			4,035			
Student Activities						
Scholarships						
Total Support Services	1,614		26,407		38,400	5,485
Facilities Acquisition:						
Non-Instructional Equipment					\$ 115,262	
Buildings						
Total Facilities Acquisition					115,262	
Total Expenditures	\$ 20,841	\$ 21,429	\$ 27,847	\$ 5,070	\$ 115,262	\$ 38,400
						\$ 5,485

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		<u>COVID-19 ARP</u>													
<u>ESSER</u>		<u>IDEA</u>		<u>IDEA</u>		<u>IDEA</u>									
Accelerated		Part B		Part B		Part B									
Learning		Preschool		Preschool		Preschool									
Coaching and		Basic		Basic		Basic									
Educator Support		Nonpublic		Security		Technology									
	\$	23,500	\$	67,002	\$	2,142	\$	366,645	\$	16,659		\$	2,275	\$	546
		\$	23,500	\$	67,002	\$	2,142	\$	366,645	\$	16,659	\$	2,275	\$	546
REVENUE:															
State Sources															
Federal Sources															
Local Sources															
Total Revenue															
EXPENDITURES:															
Instruction:															
Salaries of Teachers															
Purchased Professional and Technical Services															
Tuition															
General Supplies															
Textbooks															
Other Objects															
Total Instruction															
Support Services:															
Purchased Professional and Technical Services															
Other Purchased Services															
Supplies and Materials															
Student Activities															
Scholarships															
Total Support Services															
Facilities Acquisition:															
Non-Instructional Equipment															
Buildings															
Total Facilities Acquisition															
Total Expenditures															

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Nonpublic		SDA Emergent and Capital Maintenance Needs Grant	Student Activities	Scholarships	Local Grants	Totals June 30, 2022
	Textbooks	Nursing					
REVENUE:							
State Sources	\$ 780	\$ 1,038	\$ 44,430				\$ 49,069
Federal Sources				\$ 384,880	\$ 40,268	\$ 15,552	710,282
Local Sources							440,700
Total Revenue	\$ 780	\$ 1,038	\$ 44,430	\$ 384,880	\$ 40,268	\$ 15,552	\$ 1,200,051
EXPENDITURES:							
Instruction:							
Salaries of Teachers							\$ 55,682
Purchased Professional and Technical Services							4,740
Tuition							366,645
General Supplies							8,366
Textbooks	\$ 780					\$ 15,552	780
Other Objects							
Total Instruction	780					15,552	451,765
Support Services:							
Purchased Professional and Technical Services		\$ 1,038					80,558
Other Purchased Services							11,851
Supplies and Materials							4,035
Student Activities				\$ 375,095			375,095
Scholarships					\$ 55,000		55,000
Total Support Services		1,038		375,095	55,000		526,539
Facilities Acquisition:							
Non-Instructional Equipment			\$ 44,430				182,264
Buildings							44,430
Total Facilities Acquisition			44,430				226,694
Total Expenditures	\$ 780	\$ 1,038	\$ 44,430	\$ 375,095	\$ 55,000	\$ 15,552	\$ 1,204,998

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

<u>ASSETS:</u>	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Current Assets:			
Cash and Cash Equivalents	\$ 258,909	\$ 82,272	\$ 341,181
Accounts Receivable:			
Federal	44,274		44,274
State	1,019		1,019
Interfund Receivable	10,607		10,607
Inventories	15,689		15,689
	330,498	82,272	412,770
Total Current Assets			
Non-Current Assets:			
Capital Assets	418,681		418,681
Less: Accumulated Depreciation	(381,593)		(381,593)
	37,088		37,088
Total Non-Current Assets			
Total Assets	367,586	82,272	449,858
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	38,488		38,488
Unearned Revenue - Prepaid Sales	22,204		22,204
Unearned Revenue - Donated Commodities	4,064		4,064
	64,756		64,756
Total Current Liabilities			
<u>NET POSITION:</u>			
Investment in Capital Assets	37,088		37,088
Unrestricted	265,742	82,272	348,014
	302,830	82,272	385,102
Total Net Position	\$ 302,830	\$ 82,272	\$ 385,102

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 146,603		\$ 146,603
Total Operating Revenue	146,603		146,603
Operating Expenses:			
Cost of Sales - Reimbursable Programs	286,782		286,782
Salaries, Benefits & Payroll Taxes	219,085		219,085
Management Fee	17,767		17,767
Depreciation Expense	6,153		6,153
Supplies and Materials	61,495		61,495
Administrative Expenses	6,020		6,020
Total Operating Expenses	597,302		597,302
Operating (Loss)	(450,699)		(450,699)
Non-Operating Income:			
Local Sources:			
Interest Income		\$ 123	123
State Sources:			
State School Lunch Program:			
COVID-19 Seamless Summer Option	14,042		14,042
Supplemental	821		821
Federal Sources:			
National School Lunch Program -			
COVID-19 Seamless Summer Option	597,618		597,618
Food Distribution Program	34,343		34,343
COVID-19 - Emergency Operational Cost Program	5,663		5,663
COVID-19 Pandemic EBT Food Benefits	1,242		1,242
Total Non-Operating Income	653,729	123	653,852
Change in Net Position	203,030	123	203,153
Net Position - Beginning of Year	99,800	82,149	181,949
Net Position - End of Year	\$ 302,830	\$ 82,272	\$ 385,102

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 143,467		\$ 143,467
Payments to Food Service Vendor	(511,448)		(511,448)
Payments to Suppliers	(9,046)		(9,046)
Net Cash (Used for) Operating Activities	(377,027)		(377,027)
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	(3,950)		(3,950)
Net Cash (Used for) Capital Financing Activities	(3,950)		(3,950)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	608,898		608,898
Net Cash Provided by Noncapital Financing Activities	608,898		608,898
Cash Flows from Investing Activities:			
Interest Earned		\$ 123	123
Net Cash Flows Provided by Investing Activities		123	123
Net Increase in Cash and Cash Equivalents	227,921	123	228,044
Cash and Cash Equivalents, July 1	30,988	82,149	113,137
Cash and Cash Equivalents, June 30	\$ 258,909	\$ 82,272	\$ 341,181
Reconciliation of Operating (Loss) to Net			
Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (450,699)		\$ (450,699)
Adjustment to Reconcile Operating (Loss) to Net			
Cash (Used for) Operating Activities:			
Federal Food Distribution Program	34,343		34,343
Depreciation Expense	6,153		6,153
Changes in Assets and Liabilities:			
(Increase) in Inventory	(3,929)		(3,929)
Increase in Accounts Payable	38,488		38,488
(Decrease) in Unearned Revenue - Prepaid Sales	(3,136)		(3,136)
Increase in Unearned Revenue - Donated Commodities	1,753		1,753
Net Cash (Used for) Operating Activities	\$ (377,027)	\$ -0-	\$ (377,027)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$36,096 and utilized \$34,343 for the fiscal year ended June 30, 2022.

**FIDUCIARY ACTIVITIES
(NOT APPLICABLE)**

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, 2021	Matured	Balance June 30, 2022
			Outstanding		Amount	Rate				
			Date	June 30, 2022						
Refunding Bond of 2002 Issue	9/14/10	\$ 9,980,000	10/1/22	\$ 945,000	3.125%		\$ 2,835,000	\$ 960,000	\$ 1,875,000	
	10/1/23			930,000	3.25%					
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	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%						
						11,180,000	25,000	11,155,000		
						\$ 14,015,000	\$ 985,000	\$ 13,030,000		

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,513,542		\$ 1,513,542	\$ 1,513,542	
State Sources:					
Debt Service Type II Aid	68,639		68,639	68,639	
Total Revenue	<u>1,582,181</u>		<u>1,582,181</u>	<u>1,582,181</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	597,181		597,181	597,181	
Redemption of Principal	985,000		985,000	985,000	
Total Regular Debt Service	<u>1,582,181</u>		<u>1,582,181</u>	<u>1,582,181</u>	
Total Expenditures	<u>1,582,181</u>		<u>1,582,181</u>	<u>1,582,181</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 annual comprehensive 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 annual comprehensive 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,				
	2013	2014	2015	2016	2017
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 16,931,637	\$ 16,435,098	\$ 18,590,309	\$ 19,783,406	\$ 21,089,444
Special education	3,911,881	3,852,677	4,863,506	5,415,147	6,247,293
Other special education	395,358	488,137	712,248	659,958	818,422
Other instruction	1,246,967	1,096,947	1,461,012	1,672,943	1,688,933
Support Services:					
Tuition	1,395,101	1,608,863	1,623,287	1,607,359	1,700,591
Student & instruction related services	5,244,472	5,511,218	6,644,710	7,058,106	8,307,308
General and business administrative services	603,063	559,512	610,548	676,806	785,407
School Administrative Services	2,295,163	2,263,211	2,418,495	2,783,629	3,213,866
Central Services	571,202	550,833	569,105	571,136	673,781
Administrative Technology Information	109,973	107,629	162,512	134,457	81,520
Plant operations and maintenance	3,803,463	3,766,137	3,997,483	3,744,103	4,078,236
Pupil transportation	1,922,290	1,954,847	2,113,636	2,002,699	2,195,396
Interest on long-term debt	1,055,853	979,029	864,449	769,935	883,193
Unallocated depreciation					
Capital Outlay	58,083	60,439	58,083	527,518	331,894
Total governmental activities expenses	<u>39,544,506</u>	<u>39,234,577</u>	<u>44,689,383</u>	<u>47,407,202</u>	<u>52,095,284</u>
Business-type activities:					
Food service	578,749	528,907	549,686	576,502	604,748
Enrichment Program	146,572	234,677	227,538	269,553	258,769
Total business-type activities expense	<u>725,321</u>	<u>763,584</u>	<u>777,224</u>	<u>846,055</u>	<u>863,517</u>
Total district expenses	<u>\$ 40,269,827</u>	<u>\$ 39,998,161</u>	<u>\$ 45,466,607</u>	<u>\$ 48,253,257</u>	<u>\$ 52,958,801</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)				\$ 95,199	\$ 92,001
Student & Instruction Related Services					
Operating grants and contributions	\$ 5,672,053	\$ 5,208,200	\$ 9,539,898	11,336,746	14,824,450
Total governmental activities program revenues	<u>5,672,053</u>	<u>5,208,200</u>	<u>9,539,898</u>	<u>11,431,945</u>	<u>14,916,451</u>
Business-type activities:					
Charges for services:					
Food service	458,163	446,576	439,512	502,430	504,814
Enrichment Program	194,639	274,399	288,389	300,105	302,300
Operating grants and contributions	84,037	71,737	72,344	77,617	79,498
Total business type activities program revenues	<u>736,839</u>	<u>792,712</u>	<u>800,245</u>	<u>880,152</u>	<u>886,612</u>
Total district program revenues	<u>\$ 6,408,892</u>	<u>\$ 6,000,912</u>	<u>\$ 10,340,143</u>	<u>\$ 12,312,097</u>	<u>\$ 15,803,063</u>
Net (Expense)/Revenue					
Governmental activities	\$ (33,872,453)	\$ (34,026,377)	\$ (35,149,485)	\$ (35,975,257)	\$ (37,178,833)
Business-type activities	11,518	29,128	23,021	34,097	23,095
Total district-wide net expense	<u>\$ (33,860,935)</u>	<u>\$ (33,997,249)</u>	<u>\$ (35,126,464)</u>	<u>\$ (35,941,160)</u>	<u>\$ (37,155,738)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 31,316,023	\$ 32,102,343	\$ 32,480,021	\$ 33,389,621	\$ 34,386,899
Taxes levied for debt service	2,662,364	2,162,403	2,193,150	2,123,789	2,127,453
Federal and State Aid Not Restricted	68,656	68,553	193,264	69,550	59,428
Miscellaneous income	262,855	302,636	240,951	294,281	198,550
Transfers	134	183	163		
Total governmental activities	<u>34,310,032</u>	<u>34,636,118</u>	<u>35,107,549</u>	<u>35,877,241</u>	<u>36,772,330</u>
Business-type activities:					
Miscellaneous income	277	431	526	439	546
Transfers	(134)	(183)	(163)		
Other Item - Disposal of Capital Assets					
Total business-type activities	<u>143</u>	<u>248</u>	<u>363</u>	<u>439</u>	<u>546</u>
Total district-wide	<u>\$ 34,310,175</u>	<u>\$ 34,636,366</u>	<u>\$ 35,107,912</u>	<u>\$ 35,877,680</u>	<u>\$ 36,772,876</u>
Change in Net Position					
Governmental activities	\$ 437,579	\$ 609,741	\$ (41,936)	\$ (98,016)	\$ (406,503)
Business-type activities	11,661	29,376	23,384	34,536	23,641
Total district	<u>\$ 449,240</u>	<u>\$ 639,117</u>	<u>\$ (18,552)</u>	<u>\$ (63,480)</u>	<u>\$ (382,862)</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,				
	2018	2019	2020	2021	2022
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 21,601,378	\$ 19,088,105	\$ 18,550,528	\$ 19,465,268	\$ 18,966,625
Special education	6,282,372	6,155,701	6,348,241	6,575,280	6,315,666
Other special education	910,277	809,382	786,492	791,791	767,054
Other instruction	1,286,333	1,225,122	1,239,085	1,101,857	894,928
Support Services:					
Tuition	1,653,250	2,096,440	2,037,471	1,960,980	1,901,665
Student & instruction related services	9,192,350	8,666,561	8,734,204	9,212,829	9,489,055
General and business administrative services	807,556	774,726	831,224	1,027,734	816,237
School Administrative Services	3,180,534	2,987,848	2,849,379	2,900,795	2,890,028
Central Services	561,776	532,865	543,142	497,940	383,421
Administrative Technology Information	141,260	90,590	122,140	134,255	96,434
Plant operations and maintenance	4,554,839	4,554,978	4,219,230	3,735,167	3,695,276
Pupil transportation	2,220,667	2,413,206	2,439,674	2,370,975	2,895,539
Business and other support services		28,505	57,986	32,076	7,688
Interest on long-term debt	701,028	656,078	617,370	583,020	546,370
Unallocated depreciation	1,157,907	1,125,868	1,124,519	1,125,943	1,125,653
Capital Outlay					
Total governmental activities expenses	<u>54,251,527</u>	<u>51,205,975</u>	<u>50,500,685</u>	<u>51,515,910</u>	<u>50,791,639</u>
Business-type activities:					
Food service	615,889	600,531	406,302	315,149	597,302
Enrichment Program	243,759	254,929	255,675	184,123	
Total business-type activities expense	<u>859,648</u>	<u>855,460</u>	<u>661,977</u>	<u>499,272</u>	<u>597,302</u>
Total district expenses	<u>\$ 55,111,175</u>	<u>\$ 52,061,435</u>	<u>\$ 51,162,662</u>	<u>\$ 52,015,182</u>	<u>\$ 51,388,941</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)	\$ 65,469	\$ 114,297	\$ 5,870	\$ 9,900	\$ 20,700
Student & Instruction Related Services				144,912	384,880
Operating grants and contributions	16,195,716	13,597,932	11,788,986	13,529,248	11,981,020
Capital grants and contributions					330,467
Total governmental activities program revenues	<u>16,261,185</u>	<u>13,712,229</u>	<u>11,794,856</u>	<u>13,684,060</u>	<u>12,717,067</u>
Business-type activities:					
Charges for services:					
Food service	504,441	501,694	321,824	52,339	146,603
Enrichment Program	301,111	259,342	198,446		
Operating grants and contributions	90,196	84,349	68,977	247,646	653,729
Total business type activities program revenues	<u>895,748</u>	<u>845,385</u>	<u>589,247</u>	<u>299,985</u>	<u>800,332</u>
Total district program revenues	<u>\$ 17,156,933</u>	<u>\$ 14,557,614</u>	<u>\$ 12,384,103</u>	<u>\$ 13,984,045</u>	<u>\$ 13,517,399</u>
Net (Expense)/Revenue					
Governmental activities	\$ (37,990,342)	\$ (37,493,746)	\$ (38,705,829)	\$ (37,831,850)	\$ (38,074,572)
Business-type activities	36,100	(10,075)	(72,730)	(199,287)	203,030
Total district-wide net expense	<u>\$ (37,954,242)</u>	<u>\$ (37,503,821)</u>	<u>\$ (38,778,559)</u>	<u>\$ (38,031,137)</u>	<u>\$ (37,871,542)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 35,415,067	\$ 36,123,368	\$ 36,845,835	\$ 37,582,751	\$ 38,334,406
Taxes levied for debt service	2,100,548	1,596,669	1,588,733	1,557,780	1,513,542
Federal and State Aid Not Restricted		2,854			
Miscellaneous income	168,724	161,041	143,088	175,387	244,754
Transfers				(64,020)	
Total governmental activities	<u>37,684,339</u>	<u>37,883,932</u>	<u>38,577,656</u>	<u>39,251,898</u>	<u>40,092,702</u>
Business-type activities:					
Miscellaneous income	666	677	698	195	123
Transfers				64,020	
Other Item - Disposal of Capital Assets	(6,264)		(929)		
Total business-type activities	<u>(5,598)</u>	<u>677</u>	<u>(231)</u>	<u>64,215</u>	<u>123</u>
Total district-wide	<u>\$ 37,678,741</u>	<u>\$ 37,884,609</u>	<u>\$ 38,577,425</u>	<u>\$ 39,316,113</u>	<u>\$ 40,092,825</u>
Change in Net Position					
Governmental activities	\$ (306,003)	\$ 390,186	\$ (128,173)	\$ 1,420,048	\$ 2,018,130
Business-type activities	30,502	(9,398)	(72,961)	(135,072)	203,153
Total district	<u>\$ (275,501)</u>	<u>\$ 380,788</u>	<u>\$ (201,134)</u>	<u>\$ 1,284,976</u>	<u>\$ 2,221,283</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,				
	2013	2014	2015	2016	2017
General Fund					
Restricted	\$ 699,574	\$ 861,139	\$ 838,771	\$ 1,119,539	\$ 1,295,938
Assigned	559,278	1,015,955	381,921	345,991	1,274,345
Unassigned	787,974	729,668	874,892	1,063,156	874,693
Total general fund	<u>\$ 2,046,826</u>	<u>\$ 2,606,762</u>	<u>\$ 2,095,584</u>	<u>\$ 2,528,686</u>	<u>\$ 3,444,976</u>

All Other Governmental Funds					
Restricted:					
Special revenue fund					
Debt service fund	\$ 30,223				
Total all other governmental funds	<u>\$ 30,223</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

	June 30,				
	2018	2019	2020	2021	2022
General Fund					
Restricted	\$ 2,153,249	\$ 2,263,871	\$ 2,509,784	\$ 3,361,820	\$ 3,795,616
Assigned	825,275	546,989	897,944	467,071	1,353,205
Unassigned	830,032	1,247,440	1,057,913	2,224,566	2,050,239
Total general fund	<u>\$ 3,808,556</u>	<u>\$ 4,058,300</u>	<u>\$ 4,465,641</u>	<u>\$ 6,053,457</u>	<u>\$ 7,199,060</u>

All Other Governmental Funds					
Restricted:					
Special revenue fund			\$ 386,154	\$ 361,531	\$ 356,584
Debt service fund					
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 386,154</u>	<u>\$ 361,531</u>	<u>\$ 356,584</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,				
	2013	2014	2015	2016	2018
Revenues					
Tax levy	\$ 33,978,387	\$ 34,264,746	\$ 34,673,171	\$ 35,513,410	\$ 36,514,352
Tuition charges	84,297	155,734	111,993	95,199	101,563
Interest earnings	5,406	6,464	6,236	6,018	6,736
Miscellaneous	173,786	152,904	207,760	288,263	197,387
State sources	5,245,522	4,820,383	5,507,282	6,140,022	6,705,409
Federal sources	494,553	443,904	454,861	475,304	470,153
Total revenue	<u>39,981,951</u>	<u>39,844,135</u>	<u>40,961,303</u>	<u>42,518,216</u>	<u>43,995,600</u>
Expenditures					
Instruction:					
Regular Instruction	11,720,334	11,497,005	11,754,488	11,781,223	11,008,684
Special education instruction	2,819,184	2,809,534	3,190,740	3,257,194	3,386,697
Other special instruction	282,917	353,665	459,367	389,775	433,162
Other instruction	826,625	734,929	961,881	952,371	997,571
Support Services:					
Tuition	1,395,101	1,608,863	1,623,288	1,607,359	1,700,591
Student & instruction related services	4,014,250	4,072,920	4,428,572	4,510,091	4,610,211
General administrative services	467,569	433,503	448,983	497,199	538,561
School Administrative services	1,578,497	1,569,588	1,517,683	1,645,247	1,670,744
Central Services	434,140	430,680	410,985	390,213	394,107
Administrative Information Technology	78,594	77,780	118,359	81,520	81,520
Plant operations and maintenance	3,167,677	3,140,976	3,003,338	2,759,399	2,885,178
Pupil transportation	1,831,095	1,870,391	1,870,297	1,988,640	2,071,907
Unallocated Benefits	8,494,168	8,294,708	8,689,244	9,611,081	10,674,285
Capital outlay	107,353	158,884	732,566	694,200	439,211
Debt service:					
Principal	1,715,000	1,310,000	1,355,000	1,380,000	1,375,000
Interest and other charges	1,016,020	951,179	907,853	813,339	811,881
Total expenditures	<u>39,948,524</u>	<u>39,314,605</u>	<u>41,472,644</u>	<u>42,358,851</u>	<u>43,079,310</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>33,427</u>	<u>529,530</u>	<u>(511,341)</u>	<u>159,365</u>	<u>916,290</u>
Other Financing sources (uses)					
Financed Purchases (Non-budgeted)				273,737	
Serial Bonds Defeased			(12,454,000)		
Serial Bonds Issued			11,230,000		
Bond Issuance Costs			(129,833)		
Deferred Amount on Refunding			(503,256)		
Bond Premium			1,857,089		
Transfers in	134	183	300,263		
Transfers out			(300,100)		
Total other financing sources (uses)	<u>134</u>	<u>183</u>	<u>163</u>	<u>273,737</u>	
Net change in fund balances	<u>\$ 33,561</u>	<u>\$ 529,713</u>	<u>\$ (511,178)</u>	<u>\$ 433,102</u>	<u>\$ 916,290</u>
Debt service as a percentage of noncapital expenditures	7.359%	6.129%	5.881%	5.557%	5.406%

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,				
	2018	2019	2020	2021	2022
Revenues					
Tax levy	\$ 37,515,615	\$ 37,720,037	\$ 38,434,568	\$ 39,140,531	\$ 39,847,948
Tuition charges	65,469	114,297	5,870	9,900	20,700
Interest earnings	7,904	7,665	8,098	9,795	9,732
Miscellaneous	204,229	253,242	177,544	436,844	678,545
State sources	7,659,241	8,798,781	9,127,775	11,225,135	13,360,650
Federal sources	465,236	467,771	415,899	587,744	690,439
Total revenue	<u>45,917,694</u>	<u>47,361,793</u>	<u>48,169,754</u>	<u>51,409,949</u>	<u>54,608,014</u>
Expenditures					
Instruction:					
Regular Instruction	11,829,750	11,635,859	11,691,532	11,420,149	11,941,302
Special education instruction	3,445,237	3,588,687	3,936,521	3,856,544	3,984,024
Other special instruction	489,767	469,986	485,193	462,358	481,143
Other instruction	953,095	970,274	983,602	809,315	1,028,008
Support Services:					
Tuition	1,653,250	2,096,440	2,037,471	1,960,980	1,901,665
Student & instruction related services	5,243,466	5,394,880	5,670,018	6,129,973	6,622,661
General administrative services	573,271	581,108	669,129	829,472	647,138
School Administrative services	1,757,041	1,779,306	1,807,153	1,755,074	1,915,917
Central Services	397,151	402,750	420,224	407,324	429,804
Administrative Information Technology	97,240	92,154	90,819	96,088	101,879
Plant operations and maintenance	3,013,419	3,347,197	3,315,839	3,096,603	3,289,804
Pupil transportation	2,167,212	2,339,582	2,303,036	2,192,326	2,697,391
Unallocated Benefits	11,044,224	11,991,779	12,398,951	14,472,531	16,125,909
Charter Schools		28,505	57,986	32,076	7,688
Capital outlay	723,810	729,361	387,525	635,441	710,844
Debt service:					
Principal	1,410,000	955,000	985,000	995,000	985,000
Interest and other charges	756,181	709,181	670,581	631,482	597,181
Total expenditures	<u>45,554,114</u>	<u>47,112,049</u>	<u>47,910,580</u>	<u>49,782,736</u>	<u>53,467,358</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>363,580</u>	<u>249,744</u>	<u>259,174</u>	<u>1,627,213</u>	<u>1,140,656</u>
Other Financing sources (uses)					
Financed Purchases (Non-budgeted)					
Serial Bonds Defeased					
Serial Bonds Issued					
Bond Issuance Costs					
Deferred Amount on Refunding					
Bond Premium					
Transfers in					
Transfers out				(64,020)	
Total other financing sources (uses)				<u>(64,020)</u>	
Net change in fund balances	<u>\$ 363,580</u>	<u>\$ 249,744</u>	<u>\$ 259,174</u>	<u>\$ 1,563,193</u>	<u>\$ 1,140,656</u>
Debt service as a percentage of noncapital expenditures	4.783%	3.534%	3.458%	3.274%	2.962%

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>
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
2021	9,795	9,900	14,461	151,131	185,287
2022	9,732	20,700		235,022	265,454

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	Net Valuation Taxable	Total Direct School Tax Rate ^a	Estimated Actual (County Equalized Value)
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
2020	25,075,500	1,962,828,800	8,765,600	33,800	79,926,100	30,125,000	2,106,754,800	2,106,754,800	1.842	2,137,944,946
2021	23,928,000	1,959,343,500	9,750,800	32,100	79,926,100	30,125,000	2,103,105,500	2,103,105,500	1.878	2,113,859,624

*-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 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	
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
2020	1.767	0.075	1.842	0.541	0.264	2.647
2021	1.807	0.071	1.878	0.558	0.261	2.697

* - 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		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2021	39,140,531	39,140,531	100.00%	-0-
2022	39,847,948	39,847,948	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			Bond Anticipation Notes (BANs)		Business-Type Activities		Percentage of Personal Income ^a	
	General Obligation Bonds	Certificates of Participation	Financed Purchases	Financed Purchases	Notes (BANs)	Financed Purchases	Total District	Income ^a	Per Capita ^a
2013	\$ 25,004,000	\$ -0-	\$ 56,832	\$ -0-	\$ -0-	\$ -0-	\$ 25,060,832	3.08%	\$ 2,461
2014	23,694,000	-0-	-0-	-0-	-0-	-0-	23,694,000	2.87%	2,322
2015	21,115,000	-0-	-0-	-0-	-0-	-0-	21,115,000	2.46%	2,076
2016	19,735,000	-0-	273,737	-0-	-0-	-0-	20,008,737	2.23%	1,970
2017	18,360,000	-0-	217,609	-0-	-0-	-0-	18,577,609	2.01%	1,837
2018	16,950,000	-0-	164,796	-0-	-0-	-0-	17,114,796	1.81%	1,697
2019	15,995,000	-0-	56,012	-0-	-0-	-0-	16,051,012	1.64%	1,624
2020	15,010,000	-0-	-0-	-0-	-0-	-0-	15,010,000	1.49%	1,524
2021	14,015,000	-0-	-0-	-0-	-0-	-0-	14,015,000	1.39%	1,423
2022	13,030,000	-0-	-0-	-0-	-0-	-0-	13,030,000	1.28%	1,308

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		
2013	\$ 25,004,000	\$ -0-	\$ 25,004,000	1.552%	\$ 2,455
2014	23,694,000	-0-	23,694,000	1.478%	2,322
2015	21,115,000	-0-	21,115,000	1.320%	2,076
2016	19,735,000	-0-	19,735,000	1.237%	1,943
2017	18,360,000	-0-	18,360,000	1.150%	1,815
2018	16,950,000	-0-	16,950,000	0.792%	1,681
2019	15,995,000	-0-	15,995,000	0.751%	1,618
2020	15,010,000	-0-	15,010,000	0.708%	1,524
2021	14,015,000	-0-	14,015,000	0.665%	1,406
2022	13,030,000	-0-	13,030,000	0.620%	1,308

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, 2021
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	\$ 12,718,403	100.00%	\$ 12,718,403
Morris County General Obligation Debt	235,030,042	2.17%	<u>5,090,071</u>
Subtotal, overlapping debt			17,808,474
Kinnelon School District Direct Debt			<u>13,055,000</u>
Total direct and overlapping debt			<u><u>\$ 30,863,474</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,				
	2013	2014	2015	2016	2017
Debt limit	\$ 88,571,000	\$ 84,927,221	\$ 83,648,814	\$ 83,540,821	\$ 84,732,226
Total net debt applicable to limit	<u>25,004,000</u>	<u>23,714,000</u>	<u>21,115,000</u>	<u>19,735,000</u>	<u>18,360,000</u>
Legal debt margin	<u>\$ 63,567,000</u>	<u>\$ 61,213,221</u>	<u>\$ 62,533,814</u>	<u>\$ 63,805,821</u>	<u>\$ 66,372,226</u>
Total net debt applicable to the limit as a percentage of debt limit	28.23%	27.92%	25.24%	23.62%	21.67%

	Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
Debt limit	\$ 85,004,512	\$ 85,678,672	\$ 85,982,850	\$ 85,703,352	\$ 85,712,574
Total net debt applicable to limit	<u>16,950,000</u>	<u>15,995,000</u>	<u>15,010,000</u>	<u>14,015,000</u>	<u>13,030,000</u>
Legal debt margin	<u>\$ 68,054,512</u>	<u>\$ 69,683,672</u>	<u>\$ 70,972,850</u>	<u>\$ 71,688,352</u>	<u>\$ 72,682,574</u>
Total net debt applicable to the limit as a percentage of debt limit	19.94%	18.67%	17.46%	16.35%	15.20%

Legal Debt Margin Calculation for Fiscal Year 2022

Year Ended December 31,	Equalized Valuation Basis
2019	\$2,151,588,134
2020	2,116,278,051
2021	2,160,576,844
	<u>\$6,428,443,029</u>
Average equalized valuation of taxable property	\$2,142,814,343
Debt limit (4% of average equalization value)	85,712,574 ^a
Net bonded school debt	<u>13,030,000</u>
Legal debt margin	<u>\$ 72,682,574</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
2013	10,203	\$ 826,708,278	\$ 81,026	4.80%
2014	10,172	857,367,364	84,287	4.20%
2015	10,155	896,666,190	88,298	4.20%
2016	10,114	922,922,728	91,252	4.10%
2017	10,085	943,391,240	93,544	3.70%
2018	10,006	973,023,464	97,244	3.40%
2019	9,885	979,998,900	99,140	3.00%
2020	9,852	1,007,140,404	102,227	7.30%
2021	9,965	1,018,692,055 *	102,227 *	4.80%
2022	9,965 **	1,018,692,055 **	102,227 **	N/A

* - Latest Morris County per capita personal income available (2020) was used for calculation purposes.

** - Latest Morris County per capita personal income (2021) and population data (2021) 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

	2021		2012			
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
	Atlantic Health System	7,642	2.91%	Novartis	6,200	2.25%
	Picatinny Arsenal	6,000	2.28%	Picatinny Arsenal	5,274	1.91%
	Novartis	5,200	1.98%	Atlantic Health Systems	5,013	1.82%
	Bayer	3,483	1.33%	ADP, Inc.	1,947	0.71%
	Barclays	2,560	0.97%	County of Morris	1,914	0.69%
	ADP	2,400	0.91%	St. Clare's	1,841	0.67%
	Accenture	1,826	0.70%	Accenture	1,498	0.54%
	Honeywell	1,704	0.65%	Wyndham Worldwide	1,444	0.52%
	St. Clare's Health System	1,638	0.62%	Chilton Memorial	1,440	0.52%
	County of Morris	1,469	0.56%	BASF Corporation	1,400	0.51%
		<u>33,922</u>	<u>12.91%</u>		<u>27,971</u>	<u>10.14%</u>
	Total Employment *	<u>262,719</u>			<u>275,962</u>	

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

Source: Morris County Treasurer's Office.

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

<u>Function/Program</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>	<u>2021</u>	<u>2022</u>
Instruction	138.30	137.30	134.00	126.00	127.00	126.00	128.00	127.00	128.86	129.80
Regular	51.40	51.40	55.50	75.00	76.00	78.00	83.50	85.00	90.00	95.50
Special education										
Support Services:										
Student & instruction related services	43.40	43.90	46.00	42.70	43.50	45.00	44.00	46.00	46.00	46.00
School administrative services	12.50	12.50	14.50	15.50	15.50	15.50	17.70	16.50	16.50	16.50
General and business administrative services	3.90	3.90	4.00	6.00	6.00	6.00	4.00	3.00	3.00	3.00
Plant operations and maintenance	30.40	30.40	24.00	25.00	23.00	22.00	28.00	27.00	27.50	28.00
Business and other support services	4.60	4.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Pupil transportation	8.00	8.00	11.50	10.00	10.00	10.50	10.00	11.00	10.75	10.50
Total	292.50	292.00	291.50	302.20	303.00	305.00	317.20	317.50	324.61	331.30

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	Story Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School					
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%	
2021	1,670	47,520,813	28,593	214.00	1:12	1:14	1:12	1:11	1,662	1,583	-4.152%	95.25%	
2022	1,660	51,174,333	32,888	215.00	1:12	1:14	1:12	1:11	1,556	1,552	-10.265%	99.74%	

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>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	340	310	315	308	315	305	294	258	269	285
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	524	558	498	480	472	458	431	396	409	406
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	522	514	508	493	500	471	454	424	430	409
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	693	699	688	672	685	655	625	569	562	560
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, 2022										
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	Elementary School	Elementary School	Elementary School	Elementary School	Middle School	Middle School	High School	High School	Maintenance	
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				
2021	66,071	37,016	6,447	73,599	186,847	2,671	372,651				
2022	76,827	76,132	8,723	96,934	173,877	4,448	436,941				

* 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, 2022
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Package - National Union Fire Insurance of Pittsburgh, PA		
Property	\$ 99,791,040	\$ 5,000
Comprehensive General Liability	1,000,000	
Comprehensive Automotive Liability	1,000,000	
Employee Theft	500,000	5,000
Forgery or Alteration, Theft of Money & Securities	250,000	5,000
Funds Transfer Fraud, Money Orders	250,000	5,000
Excess Policy		
National Union Fire Insurance of Pittsburgh, PA		
Per Occurrence	9,000,000	
Aggregate	9,000,000	
Excess Liability		
NJUEP (Hudson Insurance, Allied World, Markel)		
Per Occurrence	30,000,000	Unshared Limit
Aggregate	30,000,000	
Excess Liability		
Fireman's Fund Insurance Company		
Per Occurrence	25,000,000	Shared Limit
Aggregate	25,000,000	
Excess Workers Compensation		
Safety National		
Employer's Liability	1,000,000	
Self-Insured Retention (Fund Retention)	500,000	
Environmental Impairment Liability		
Chubb/Ace		
Per Occurrence	1,000,000	25,000
Aggregate	10,000,000	
School Board Legal Liability		
Greenwich Insurance Company		
Errors & Omissions	1,000,000	10,000
Employment Practices	1,000,000	15,000
Cyber Liability		
Indian Harbor Insurance Company		
Privacy & Cyber Security, Privacy Regulatory Defense	1,000,000	25,000
Business Interest & Extra Expense, Data Breach	1,000,000	
Surety Bonds		
The Hartford Insurance Group		
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 "Office"), 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, 2022, 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 9, 2022. That report included a qualified opinion on the financial statements as the District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Report on 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.

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

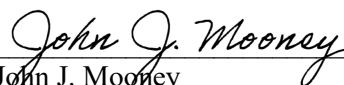
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 9, 2022
Mount Arlington, New Jersey


NISIVOCCIA LLP



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

Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance and NJOMB 15-08

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 Federal and 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 identified as subject to audit in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 New Jersey's OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

December 9, 2022
Mount Arlington, New Jersey

Nisivoccia 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, 2022

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2021		Carryover/ (Walkthrough) Amount	Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Returned to Grantor	Balance 6/30/2022		Amounts Provided to Subrecipients
					Budgetary Unearned Revenue (Accounts Receivable)	Due to Grantor						Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Education - Passed-through State Department of Education:														
Special Education Cluster:														
LD.E.A. Preschool	84-173	IDEA-2460-22	7/1/21-9/30/22	\$ 16,659			\$ 16,659	\$ (16,659)				\$ (182)		
LD.E.A. Part B, Basic	84-027	IDEA-2460-22	7/1/21-9/30/22	366,645			366,645	(366,645)				(67,002)		
LD.E.A. Part B, Basic	84-027	IDEA-2460-20	7/1/19-9/30/20	374,558	\$ 4,792						\$ (4,792)			
LD.E.A. Part B, Basic	84-027	IDEA-2460-19	7/1/18-6/30/19	378,542	2,588						(2,588)			
LD.E.A. Part B, Basic	84-027	IDEA-2460-18	7/1/17-6/30/18	383,863	1,340						(1,340)			
COVID-19 ARP:														
LD.E.A. Preschool - ARP	84-173X	IDEA-2460-22	7/1/21-9/30/22	6,056			1,960	(2,142)				\$ (182)		
LD.E.A. Part B, Basic - ARP	84-027X	IDEA-2460-22	7/1/21-9/30/22	70,939			385,264	(67,002)			(8,720)	(67,002)		
Total Special Education Cluster								(452,448)				(67,184)		
Elementary and Secondary Education Act:														
Title I	84-010A	ESEA-2460-22	7/1/21-9/30/22	59,423			41,175	(20,841)				(313)		\$ 20,647
Title I	84-010A	ESEA-2460-21	7/1/20-9/30/21	59,813	\$ (4,649)		26,078	(21,429)			(250)			
Title I	84-010A	ESEA-2460-19	7/1/18-6/30/19	32,052		250					(453)			
Title I	84-010A	ESEA-2460-17	7/1/16-6/30/17	24,975		453					(703)			
Subtotal Title I								(42,270)				(313)		20,647
Title IIA	84-367A	ESEA-2460-22	7/1/21-9/30/22	47,533			32,917	(27,847)						5,070
Title IIA	84-367A	ESEA-2460-21	7/1/20-9/30/21	54,993	(10,600)		14,958	(5,070)		712	(495)			
Title IIA	84-367A	ESEA-2460-19	7/1/18-6/30/19	33,109		495					(1,460)			
Title IIA	84-367A	ESEA-2460-18	7/1/17-6/30/18	20,094		1,460					(1,955)			
Subtotal Title IIA								(32,917)		712				5,070
Education Stabilization Fund:														
COVID-19 ARP Consolidated:														
ESSER III	84-425U	S425U210027	3/13/20-9/30/24	259,045				(5,485)				(5,485)		
Accelerated Learning Coaching and Educator Support	84-425U	S425U210027	3/13/20-9/30/24	131,091			19,485	(23,500)				(4,015)		
COVID-19 CRRSA:														
ESSER II	84-425D	S425D210027	3/13/20-9/30/23	115,262			115,262	(115,262)				(26,860)		
Mental Health	84-425D	S425D210027	3/13/20-9/30/23	45,000			11,540	(38,400)				(612)		
COVID-19 Digital Divide Grant (Nonpublic)	84-425D	N/A	7/16/20-10/31/20	653	(612)							(36,972)		
Total Education Stabilization Fund								(182,647)				(104,469)		
Total U.S. Department of Education								(710,282)		712	(11,378)	(104,469)		25,717
Total Special Revenue Fund								(710,282)		712	(11,378)	(104,469)		25,717

N/A - Not Applicable/Not Available

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2021		Carryover/ (Walkthrough) Amount	Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Returned to Grantor	Balance 6/30/2022		Amounts Provided to Subrecipients
					Budgetary Unearned Revenue (Accounts Receivable)	Due to Grantor						Budgetary Accounts Receivable	Due to Grantor	
U.S. Department of Agriculture - Passed-through State Department of Agriculture:														
Child Nutrition Cluster:														
Federal Food Distribution Program	10.555	N/A	7/1/21-6/30/22	\$ 36,096			\$ 36,096	\$ (32,032)				\$ 4,064		
Federal Food Distribution Program	10.555	N/A	7/1/20-6/30/21	31,294	\$ 2,311			(2,311)						
Subtotal Federal Food Distribution Program					2,311		36,096	(34,343)				4,064		
School Breakfast Program:														
COVID-19 Seamless Summer Option	10.555	N/A	11/1/20-6/30/21	11,459	(240)		240							
National School Lunch Program:														
COVID-19 Seamless Summer Option	10.555	N/A	7/1/21-6/30/22	597,618			553,344	(597,618)				\$ (44,274)		
COVID-19 Seamless Summer Option	10.555	N/A	7/1/20-6/30/21	191,828	(32,267)		32,267							
Subtotal National School Lunch Program					(32,267)		585,611	(597,618)				(44,274)		
COVID 19 - Emergency Operational Cost Reimbursement Program - Schools	10.555	N/A	7/1/21-6/30/22	5,663			5,663	(5,663)						
Total Child Nutrition Cluster					(30,196)		621,947	(637,624)				(44,274)	4,064	
COVID 19 - Pandemic EBT Food Benefits	10.542	N/A	7/1/21-6/30/22	1,242			1,242	(1,242)						
Total U.S. Department of Agriculture					(30,196)		623,189	(638,866)				(44,274)	4,064	
TOTAL FEDERAL AWARDS					\$ (46,057)	\$ 11,378	\$ -0-	\$ 1,269,868	\$ (1,349,148)	\$ 712	\$ (11,378)	\$ (148,743)	\$ 4,064	\$ -0-

N/A - Not Applicable/Not Available

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, 2022

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2021		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2022		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	22-495-034-5120-089	7/1/21-6/30/22	\$ 1,572,117			\$ 1,419,119	\$ (1,572,117)				\$ (152,998)	\$ 1,572,117
Special Education Categorical Aid Security Aid	21-495-034-5120-089	7/1/20-6/30/21	1,333,815	\$ (129,365)		129,365					(16,035)	1,333,815
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	164,769			148,734	(164,769)					164,769
Security Aid	21-495-034-5120-084	7/1/20-6/30/21	164,769	(15,981)		15,981					(41,888)	164,769
Transportation Aid	22-495-034-5120-014	7/1/21-6/30/22	430,416			388,528	(430,416)					430,416
Transportation Aid	21-495-034-5120-014	7/1/20-6/30/21	430,416	(41,745)		41,745					(1,249,011)	430,416
Extraordinary Special Education Costs Aid	22-100-034-5120-044	7/1/21-6/30/22	1,249,011	(1,366,724)		1,366,724	(1,249,011)		\$ (1,249,011)		(23,200)	1,249,011
Extraordinary Special Education Costs Aid	21-100-034-5120-044	7/1/20-6/30/21	1,366,724				(23,200)		(23,200)			1,366,724
Nonpublic School Transportation Costs	22-495-034-5120-014	7/1/21-6/30/22	23,200									23,200
Nonpublic School Transportation Costs	21-495-034-5120-014	7/1/20-6/30/21	17,980	(17,980)		17,980						17,980
Reimbursed TPAF Contributions:												
Social Security Aid	22-495-034-5094-003	7/1/21-6/30/22	1,360,962			1,293,232	(1,360,962)		(67,730)		(67,730)	1,360,962
Social Security Aid	21-495-034-5094-003	7/1/20-6/30/21	1,364,862	(65,517)		65,517	(103,773)					1,364,862
Securing Our Children's Future Bond Act	N/A	N/A	103,773			103,773						103,773
On-Behalf TPAF Contributions:												
Pension	22-495-034-5094-001	7/1/21-6/30/22	6,683,104			6,683,104	(6,683,104)					6,683,104
Post-Retirement Medical	22-495-034-5094-002	7/1/21-6/30/22	1,583,473			1,583,473	(1,583,473)					1,583,473
Non-Contributory Insurance	22-495-034-5094-004	7/1/21-6/30/22	94,289			94,289	(94,289)					94,289
Long-Term Disability Insurance	22-495-034-5094-004	7/1/21-6/30/22	1,658			1,658	(1,658)					1,658
Total General Fund												
				(1,637,312)		13,353,222	(13,266,772)		(1,339,941)		(1,550,862)	17,945,338
Debt Service Fund:												
Debt Service Aid State Support	22-495-034-5120-017	7/1/21-6/30/22	68,639			68,639	(68,639)					68,639
Total Debt Service Fund												
						68,639	(68,639)					68,639
Special Revenue Fund:												
NJ Nonpublic Aid:												
Technology Initiative	22-100-034-5120-064	7/1/21-6/30/22	546			546	(546)					546
Textbook Aid (Chapter 194)	22-100-034-5120-064	7/1/21-6/30/22	780			780	(780)					780
Security Aid	22-100-034-5120-509	7/1/21-6/30/22	2,275			2,275	(2,275)					2,275
Nursing Services (Chapter 226)	22-100-034-5120-070	7/1/21-6/30/22	1,456			1,456	(1,038)			\$ 418		1,038
Subtotal Special Revenue Fund												
						5,057	(4,639)			418		4,639

N/A - Not Applicable/Not Available

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2021		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2022		MEMO	
				Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education: New Jersey Schools Development Authority: Special Revenue Fund: Schools Development Authority - Emergent and Capital Maintenance Needs Grant	N/A	7/1/21-6/30/22	44,430			44,430	(44,430)					44,430
Subtotal Special Revenue Fund						44,430	(44,430)					44,430
Total New Jersey Schools Development Authority						44,430	(44,430)					44,430
Total Special Revenue Fund						49,487	(49,069)		418			49,069
Enterprise Fund: State School Lunch Program - COVID-19 Seamless Summer Option COVID-19 Seamless Summer Option Supplemental	22-100-010-3350-023 21-100-010-3350-023 21-100-010-3350-023	7/1/21-6/30/22 7/1/20-6/30/21 7/1/20-6/30/21	\$ 14,042 10,231 821	\$ (2,298)		\$ 13,023 2,298 821	\$ (14,042) (821)		\$ (1,019)		\$ (1,019)	\$ 14,042 10,231 821
Total Enterprise Fund				(2,298)		16,142	(14,863)		(1,019)		(1,019)	25,094
Total NJ Department of Education				(1,639,610)		13,443,060	(13,354,913)		(1,340,960)	\$ 418	(1,551,881)	18,043,710
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION				\$ (1,639,610)	\$ -0-	\$13,487,490	\$ (13,399,343)	\$ -0-	\$ (1,340,960)	\$ 418	\$ (1,551,881)	\$ 18,088,140

Less - State Awards Not Subject to Single Audit Major Program Determination:
On-Behalf TPAF Contributions:

Pension	22-495-034-5094-001	7/1/21-6/30/22	6,683,104
Post-Retirement Medical	22-495-034-5094-002	7/1/21-6/30/22	1,583,473
Non-Contributory Insurance	22-495-034-5094-004	7/1/21-6/30/22	94,289
Long-Term Disability Insurance	22-495-034-5094-004	7/1/21-6/30/22	1,658

Subtotal On-Behalf TPAF Pension System Contributions

TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION

N/A - Not Applicable/Not Available

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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, 2022
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$23,830) for the general fund and \$(17,020) (\$2,823 local grants and \$(19,843) 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		\$ 13,242,942	\$ 13,242,942
Special Revenue Fund	\$ 690,439	49,069	739,508
Debt Service Fund		68,639	68,639
Enterprise Fund	<u>638,866</u>	<u>14,863</u>	<u>653,729</u>
Total Financial Awards	<u>\$ 1,329,305</u>	<u>\$ 13,375,513</u>	<u>\$ 14,704,818</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, 2022.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements as the District's note disclosure on postemployment benefits other than pensions (OPEB) contains the June 30, 2020 information and not the June 30, 2021 information as the report for Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the State of New Jersey State Health Benefits Local Education Retired Employees Plan ("SHBP") has not been released by the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, as of the date of this report. In our, opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.
- 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 major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance* Required by the Uniform Guidance and NJ OMB 15-08
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on the major federal and state programs.
- 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 federal and state programs for the current fiscal year consisted of the following awards:

	<u>Assistance Listing/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Special Education Categorical Aid	22-495-034-5120-089	7/1/21-6/30/22	\$ 1,572,117	\$ 1,572,117
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	164,769	164,769
<u>Federal:</u>				
Child Nutrition Cluster:				
Federal Food Distribution Program	10.555	7/1/21-6/30/22	36,096	32,032
Federal Food Distribution Program	10.555	7/1/21-6/30/22	31,294	2,311
National School Lunch Program:				
COVID-19 Seamless Summer Option	10.555	7/1/21-6/30/22	597,618	597,618
COVID 19 - Emergency Operational Cost				
Reimbursement Program - Schools	10.555	7/1/21-6/30/22	5,663	5,663

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Summary of Auditors' Results: (Cont'd)

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The single audit threshold identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 was \$750,000.
- The District was determined not to be a "low-risk" auditee for federal programs.
- The District was determined to be a "low-risk" auditee for state programs.

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:

- The audit did not disclose any audit findings which are required to be reported as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any audit findings which are required to be reported as defined in 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, 2022

Status of Prior Year Findings:

The District had no prior year audit findings.