

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

**Annual Comprehensive
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2023

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 4, 2023

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, 2023, 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 2022/2023 fiscal year with an enrollment of 1,643 students which was a decrease of 17 students from the prior year.

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 6.6%. This is approximately .3% 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 8.9%. Our student population decrease was anticipated and our focus is on repurposing existing instructional space to meet the needs of our student population. There are no plans for future building expansion.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2023.

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

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
Page 3
December 4, 2023


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,

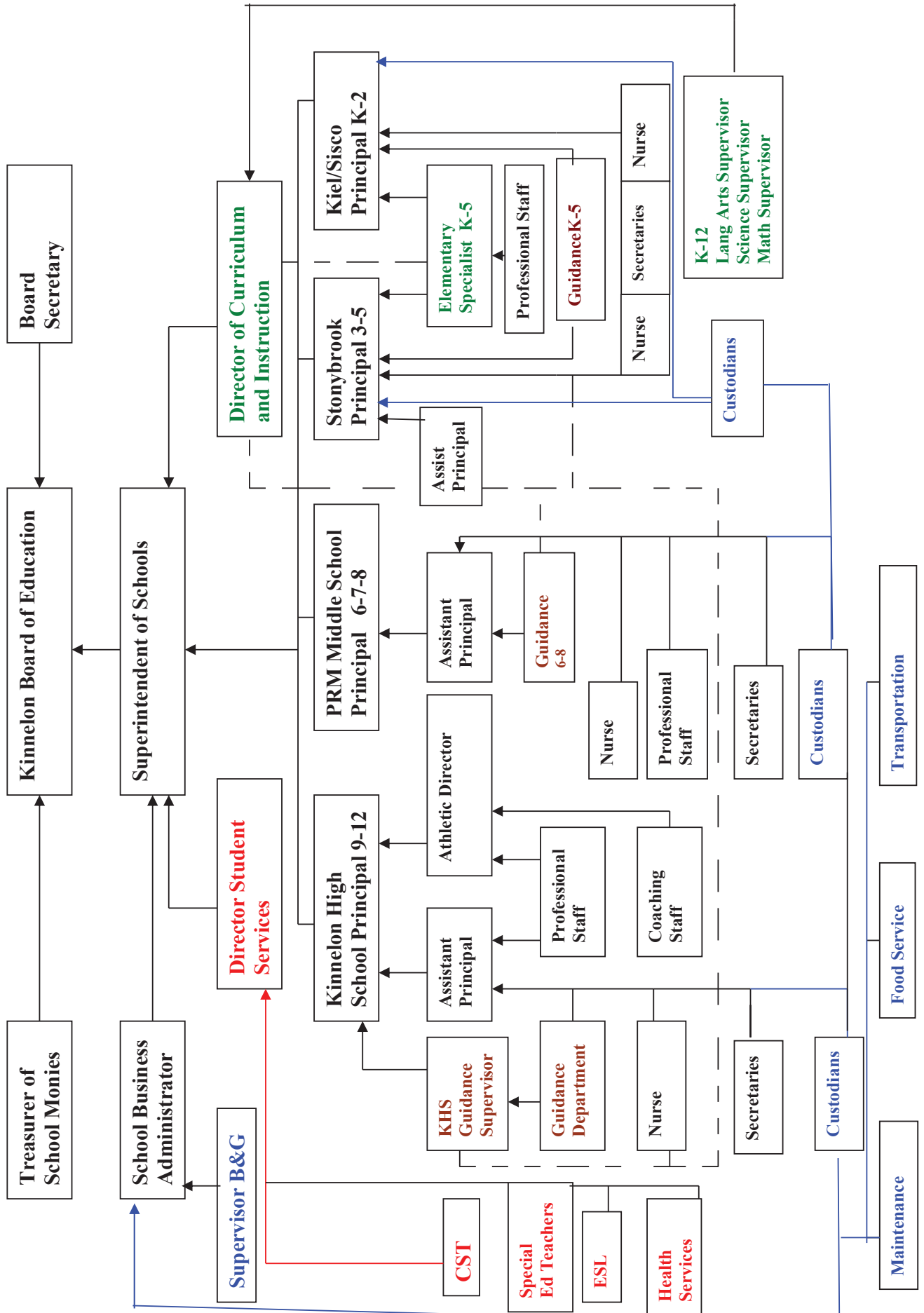
 1/3/24

David C. 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, 2023

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Jean Donaldson	President	2023
Michael Petruccelli	Vice President	2024
Jonathan Eisenmenger	Member	2025
Dana Leonard	Member	2023
Carl Myers	Member	2025
Kelly Parrella	Member	2024
Jennifer Portman	Member	2025

Other Officials

David C. Mango, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Cornell, Merlino, McKeever & Osborne, LLC, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

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

Opinions

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, 2023, 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, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, 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 Opinions

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 audit opinions.

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.

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.

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.

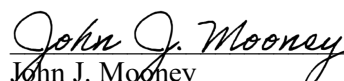
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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 4, 2023 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 4, 2023
Mount Arlington, New Jersey


NISIVOCCIA LLP


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, 2023. 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

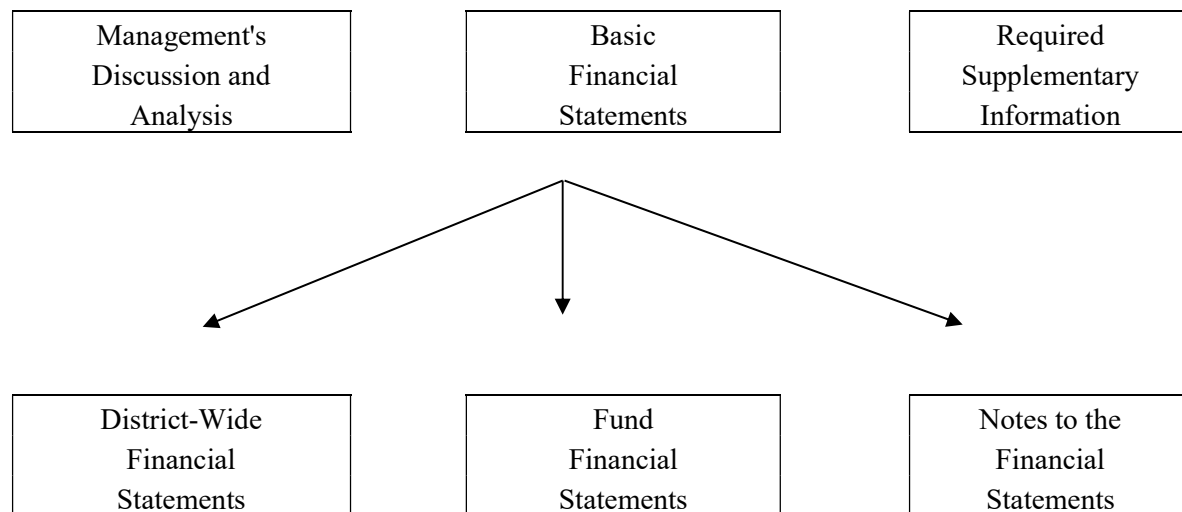


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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, subscription 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 liabilities) 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, 2023 and 2022. The District's *combined* net position was \$18,592,470 on June 30, 2023, \$1,072,654 or 5.77% more than the prior fiscal year. The net position of the governmental activities increased by \$1,042,932 and net position of the business-type activities increased by \$29,722.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	Change 2022/23
Current and							
Other Assets	\$ 7,870,036	\$ 7,831,397	\$ 440,673	\$ 412,770	\$ 8,310,709	\$ 8,244,167	
Capital Assets, Net	32,823,088	33,806,953	72,337	37,088	32,895,425	33,844,041	
Total Assets	<u>40,693,124</u>	<u>41,638,350</u>	<u>513,010</u>	<u>449,858</u>	<u>41,206,134</u>	<u>42,088,208</u>	-2.14%
Deferred Outflows of							
Resources	<u>1,866,567</u>	<u>1,894,174</u>			<u>1,866,567</u>	<u>1,894,174</u>	-1.48%
Other Liabilities	1,285,987	1,185,004	98,186	64,756	1,384,173	1,249,760	
Long-Term Liabilities	21,832,079	21,236,285			21,832,079	21,236,285	
Total Liabilities	<u>23,118,066</u>	<u>22,421,289</u>	<u>98,186</u>	<u>64,756</u>	<u>23,216,252</u>	<u>22,486,045</u>	3.15%
Deferred Inflows of							
Resources	<u>1,263,979</u>	<u>3,976,521</u>			<u>1,263,979</u>	<u>3,976,521</u>	-214.60%
Net Position:							
Net Investment in							
Capital Assets	21,062,961	21,147,367	72,337	37,088	21,135,298	21,184,455	
Restricted	4,497,102	4,152,200			4,497,102	4,152,200	
Unrestricted/(Deficit)	<u>(7,382,417)</u>	<u>(8,164,853)</u>	<u>342,487</u>	<u>348,014</u>	<u>(7,039,930)</u>	<u>(7,816,839)</u>	
Total Net Position	<u>\$ 18,177,646</u>	<u>\$ 17,134,714</u>	<u>\$ 414,824</u>	<u>\$ 385,102</u>	<u>\$ 18,592,470</u>	<u>\$ 17,519,816</u>	5.77%

Figure A-4 represents the *Changes in net position*. Net investment in capital assets decreased \$49,157 due to current fiscal year depreciation, offset by capital asset additions and bonded debt paid down. Restricted net position increased \$344,902 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 \$776,909 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 2022/23	Business-Type Activities 2022/23	Total School District 2022/23	Governmental Activities 2021/22	Business-Type Activities 2021/22	Total School District 2021/22	Percentage Change 2022/23
Revenue:							
Program Revenue:							
Charges for Services	\$ 460,252	\$ 507,444	\$ 967,696	\$ 405,580	\$ 146,603	\$ 552,183	
Operating Grants and Contributions							
	10,418,018	175,050	10,593,068	11,981,020	653,729	12,634,749	
Capital Grants and Contributions							
	156,360		156,360	330,467		330,467	
General Revenue:							
Property Taxes	40,600,650		40,600,650	39,847,948		39,847,948	
Other	115,240	124	115,364	244,754	123	244,877	
Total Revenue	51,750,520	682,618	52,433,138	52,809,769	800,455	53,610,224	-2.20%
Expenses:							
Instruction	27,053,453		27,053,453	26,944,273		26,944,273	
Pupil and Instruction Services							
	10,892,146		10,892,146	11,390,720		11,390,720	
Administrative and Business							
	4,215,248		4,215,248	4,186,120		4,186,120	
Maintenance and Operations							
	3,682,318		3,682,318	3,695,276		3,695,276	
Transportation	3,203,145		3,203,145	2,895,539		2,895,539	
Other	1,661,278	652,896	2,314,174	1,679,711	597,302	2,277,013	
Total Expenses	50,707,588	652,896	51,360,484	50,791,639	597,302	51,388,941	-0.06%
Increase in Net Position	\$ 1,042,932	\$ 29,722	\$ 1,072,654	\$ 2,018,130	\$ 203,153	\$ 2,221,283	-51.71%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased. This was mostly attributable to the changes in deferred inflows and outflows of resources related to pensions, offset by an increase in the net pension liability of the District in the current year and 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
	2022/23	2022/23	2021/22	2021/22
Instruction	\$ 27,053,453	\$ 19,596,788	\$26,944,273	\$18,315,191
Pupil and Instruction Services	10,892,146	8,592,229	11,390,720	8,851,554
Administrative and Business	4,215,248	3,689,212	4,186,120	3,489,880
Maintenance and Operations	3,682,318	3,559,656	3,695,276	3,296,170
Transportation	3,203,145	2,573,795	2,895,539	2,442,066
Other	1,661,278	1,661,278	1,679,711	1,679,711
	<u>\$ 50,707,588</u>	<u>\$ 39,672,958</u>	<u>\$50,791,639</u>	<u>\$38,074,572</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$29,722, comprised of an increase of \$29,598 in the Food Service program and an increase of \$124 in the Enrichment program (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

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

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

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

General Fund Budgetary Highlights

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

Capital Asset and Long-Term Liabilities

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

	Government Activities		Business-Type Activities		Total School District		Percentage
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	Change 2022/23
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	
Buildings and Building Improvements	32,212,491	33,328,981			32,212,491	33,328,981	
Machinery and Equipment	564,787	432,162	\$ 72,337	\$ 37,088	637,124	469,250	
Total Capital Assets (net of Depreciation)	<u>\$ 32,823,088</u>	<u>\$ 33,806,953</u>	<u>\$ 72,337</u>	<u>\$ 37,088</u>	<u>\$ 32,895,425</u>	<u>\$ 33,844,041</u>	-2.80%

The District's capital assets decreased by \$948,616. Total depreciation was \$1,286,662, offset by capital acquisitions of \$338,046.

Long-term Liabilities

At year-end, the District had \$21,832,079 in general obligation bonds and other long-term liabilities outstanding, an increase of \$595,794 or 2.81% 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
	2022/23	2021/22	Change 2022/23
General Obligation Bonds (Financed with Property Taxes)	\$ 12,025,000	\$ 13,030,000	
Unamortized Bond Premium	977,420	1,126,366	
Net Pension Liability	8,097,011	6,346,271	
Compensated Absences	732,648	733,648	
	<u>\$ 21,832,079</u>	<u>\$ 21,236,285</u>	2.81%

The District paid down \$1,005,000 of bonds, amortized \$148,946 of bond premiums, its net pension liability increased by \$1,750,740 and there was a net decrease in compensated absences of \$1,000.

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, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,174,237	\$ 410,937	\$ 2,585,174
Receivables from Other Governments	1,134,316	5,947	1,140,263
Other Receivables	74,988		74,988
Internal Balances	(10,607)	10,607	
Inventory		13,182	13,182
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve	3,879,566		3,879,566
Unemployment Compensation	236,498		236,498
Student Activities	188,837		188,837
Scholarships	192,201		192,201
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	<u>32,777,278</u>	<u>72,337</u>	<u>32,849,615</u>
Total Assets	<u>40,693,124</u>	<u>513,010</u>	<u>41,206,134</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	264,873		264,873
Deferred Outflows of Resources Related to Pensions	<u>1,601,694</u>		<u>1,601,694</u>
Total Deferred Outflows of Resources	<u>1,866,567</u>		<u>1,866,567</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	224,525		224,525
Accounts Payable	1,001,374	33,191	1,034,565
Payable to Federal Government	24,367		24,367
Unearned Revenue	35,721	64,995	100,716
Noncurrent Liabilities:			
Due Within One Year	1,142,742		1,142,742
Due Beyond One Year	<u>20,689,337</u>		<u>20,689,337</u>
Total Liabilities	<u>23,118,066</u>	<u>98,186</u>	<u>23,216,252</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	<u>1,263,979</u>		<u>1,263,979</u>
Total Deferred Inflows of Resources	<u>1,263,979</u>		<u>1,263,979</u>
NET POSITION			
Net Investment in Capital Assets	21,062,961	72,337	21,135,298
Restricted for:			
Capital Projects	3,879,566		3,879,566
Unemployment Compensation	236,498		236,498
Student Activities	188,837		188,837
Scholarships	192,201		192,201
Unrestricted/(Deficit)	<u>(7,382,417)</u>	<u>342,487</u>	<u>(7,039,930)</u>
Total Net Position	<u>\$ 18,177,646</u>	<u>\$ 414,824</u>	<u>\$ 18,592,470</u>

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, 2023

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction:							
Regular	\$ 18,937,800	\$ 15,300	\$ 3,413,563	\$ 116,100	\$ (15,392,837)		\$ (15,392,837)
Special Education	6,394,688		3,784,660		(2,610,028)		(2,610,028)
Other Special Instruction	723,896		127,042		(596,854)		(596,854)
Other Instruction	997,069				(997,069)		(997,069)
Support services:							
Tuition	1,807,908		333,680		(1,474,228)		(1,474,228)
Student & Instruction Related Services	9,084,238	444,952	1,521,285		(7,118,001)		(7,118,001)
General Administrative Services	942,384		82,906		(859,478)		(859,478)
School Administrative Services	2,678,267		443,130		(2,235,137)		(2,235,137)
Central Services	496,441				(496,441)		(496,441)
Administrative Information Technology	98,156				(98,156)		(98,156)
Plant Operations and Maintenance	3,682,318		82,402	40,260	(3,559,656)		(3,559,656)
Pupil Transportation	3,203,145		629,350		(2,573,795)		(2,573,795)
Transfer of Funds to Charter Schools	17,999				(17,999)		(17,999)
Interest on Long-Term Debt	515,978				(515,978)		(515,978)
Unallocated Depreciation	1,127,301				(1,127,301)		(1,127,301)
Total Governmental Activities	50,707,588	460,252	10,418,018	\$ 156,360	(39,672,958)	\$ -0-	(39,672,958)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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	\$ 652,896	\$ 507,444	\$ 175,050		\$ 29,598	\$ 29,598	\$ 29,598
Total Business-Type Activities	652,896	507,444	175,050		29,598	29,598	29,598
Total Primary Government	\$ 51,360,484	\$ 967,696	\$ 10,593,068	\$ 156,360	\$ (39,672,958)	29,598	\$ (39,643,360)

General Revenues:

Taxes:							
Property Taxes, Levied for General Purposes, Net				39,101,094			39,101,094
Taxes Levied for Debt Service				1,499,556			1,499,556
Investment Earnings				10,056	124		10,180
Miscellaneous Income				105,184			105,184
Total General Revenues				40,715,890	124		40,716,014
Change in Net Position				1,042,932	29,722		1,072,654
Net Position - Beginning				17,134,714	385,102		17,519,816
Net Position - Ending				\$ 18,177,646	\$ 414,824		\$ 18,592,470

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, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,174,237		\$ 2,174,237
Receivables from State Government	999,490		999,490
Receivables from Federal Government		\$ 134,826	134,826
Other Receivables		74,988	74,988
Interfunds Receivable	159,726		159,726
Restricted Cash and Cash Equivalents	4,116,064	381,038	4,497,102
Total Assets	\$ 7,449,517	\$ 590,852	\$ 8,040,369
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 284,118		\$ 284,118
Payable to Federal Government		\$ 24,367	24,367
Interfund Payable	10,607	159,726	170,333
Unearned Revenue	10,000	25,721	35,721
Total Liabilities	304,725	209,814	514,539
Fund Balances:			
Restricted for:			
Capital Reserve	3,879,566		3,879,566
Unemployment Compensation	236,498		236,498
Student Activities		188,837	188,837
Scholarships		192,201	192,201
Assigned:			
Designated For Subsequent Year's Expenditures	927,972		927,972
Year-end Encumbrances	1,236,260		1,236,260
Unassigned	864,496		864,496
Total Fund Balances	7,144,792	381,038	7,525,830
Total Liabilities and Fund Balances	\$ 7,449,517	\$ 590,852	

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.	\$ 32,823,088
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt.	(977,420)
Deferred amount on refunding is not reported as an expense in the Governmental Funds in the year of expense.	264,873
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.	(224,525)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(8,097,011)
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	884,438
Deferred Inflows of Resources Related to Pensions	(1,263,979)
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	(12,757,648)
Net Position of Governmental Activities	\$ 18,177,646

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 39,101,094		\$ 1,499,556	\$ 40,600,650
Tuition	15,300			15,300
Interest Earned	10,056			10,056
Miscellaneous	105,184	\$ 532,304		637,488
Total - Local Sources	39,231,634	532,304	1,499,556	41,263,494
State Sources	13,308,073	44,085	72,960	13,425,118
Federal Sources		817,410		817,410
Total Revenue	52,539,707	1,393,799	1,572,516	55,506,022
EXPENDITURES:				
Current:				
Regular Instruction	12,462,548	134,310		12,596,858
Special Education Instruction	4,186,045	53,305		4,239,350
Other Special Instruction	481,445			481,445
Other Instruction	1,068,884			1,068,884
Support Services and Undistributed Costs:				
Tuition	1,474,228	333,680		1,807,908
Student & Instruction Related Services	5,960,578	691,690		6,652,268
General Administrative Services	737,155			737,155
School Administrative Services	1,833,027			1,833,027
Central Services	505,760			505,760
Administrative Information Technology	112,744			112,744
Plant Operations and Maintenance	3,497,314			3,497,314
Pupil Transportation	3,013,126			3,013,126
Unallocated Benefits	16,504,121			16,504,121
Transfer of Funds to Charter Schools	17,999			17,999
Debt Service:				
Principal			1,005,000	1,005,000
Interest and Other Charges			567,516	567,516
Capital Outlay	739,001	156,360		895,361
Total Expenditures	52,593,975	1,369,345	1,572,516	55,535,836
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(54,268)	24,454		(29,814)
Fund Balance — July 1	7,199,060	356,584		7,555,644
Fund Balance — June 30	\$ 7,144,792	\$ 381,038	\$ -0-	\$ 7,525,830

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, 2023

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:	\$	(29,814)
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	\$ (1,278,134)
	Capital outlays	<u>294,269</u>
		(983,865)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		1,005,000
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 (+).		1,000
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. (+)		8,133
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		(1,750,740)
Change in Deferred Outflows of Resources Related to Pensions		37,271
Change in Deferred Inflows of Resources Related to Pensions		2,712,542
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>148,946</u>
Change in Net Position of Governmental Activities	\$	<u><u>1,042,932</u></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, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	Non-Major Fund	Total
	Food Service		Enterprise Funds
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 328,541	\$ 82,396	\$ 410,937
Accounts Receivable:			
Federal	5,621		5,621
State	326		326
Interfund Receivable	10,607		10,607
Inventories	13,182		13,182
Total Current Assets	<u>358,277</u>	<u>82,396</u>	<u>440,673</u>
Non-Current Assets:			
Capital Assets	457,458		457,458
Less: Accumulated Depreciation	<u>(385,121)</u>		<u>(385,121)</u>
Total Non-Current Assets	<u>72,337</u>		<u>72,337</u>
Total Assets	<u>430,614</u>	<u>82,396</u>	<u>513,010</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	33,191		33,191
Unearned Revenue - Prepaid Sales	19,052		19,052
Unearned Revenue - Donated Commodities	1,706		1,706
Unearned Revenue - Supply Chain Assistance	<u>44,237</u>		<u>44,237</u>
Total Current Liabilities	<u>98,186</u>		<u>98,186</u>
<u>NET POSITION:</u>			
Investment in Capital Assets	72,337		72,337
Unrestricted	<u>260,091</u>	<u>82,396</u>	<u>342,487</u>
Total Net Position	<u>\$ 332,428</u>	<u>\$ 82,396</u>	<u>\$ 414,824</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, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>		<u>Total</u>
	<u>Food Service</u>	<u>Non-Major Fund</u>	<u>Enterprise Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 286,754		\$ 286,754
Daily Sales - Non-Reimbursable Programs	220,690		220,690
Total Operating Revenue	<u>507,444</u>		<u>507,444</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	167,703		167,703
Cost of Sales - Non-Reimbursable Programs	111,066		111,066
Salaries, Benefits & Payroll Taxes	268,803		268,803
Management Fee	19,061		19,061
Depreciation Expense	8,528		8,528
Supplies and Materials	75,303		75,303
Administrative Expense	2,432		2,432
Total Operating Expenses	<u>652,896</u>		<u>652,896</u>
Operating (Loss)	(145,452)		(145,452)
Non-Operating Income:			
Local Sources:			
Interest Income		\$ 124	124
State Sources:			
State School Lunch Program	5,139		5,139
Federal Sources:			
National School Lunch Program	86,829		86,829
Food Distribution Program	44,641		44,641
COVID-19 - Supply Chain Assistance Award	38,441		38,441
Total Non-Operating Income	<u>175,050</u>	<u>124</u>	<u>175,174</u>
Change in Net Position	29,598	124	29,722
Net Position - Beginning of Year	<u>302,830</u>	<u>82,272</u>	<u>385,102</u>
Net Position - End of Year	<u>\$ 332,428</u>	<u>\$ 82,396</u>	<u>\$ 414,824</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund		Total
	Food Service	Non-Major Fund	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,292		\$ 504,292
Payments to Food Service Vendor	(571,233)		(571,233)
Payments to Suppliers	(33,642)		(33,642)
Net Cash (Used for) Operating Activities	(100,583)		(100,583)
Cash Flows (Used for) Capital Financing Activities:			
Acquisition of Equipment	(43,777)		(43,777)
Net Cash Flows (Used for) Capital Financing Activities	(43,777)		(43,777)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	213,992		213,992
Net Cash Provided by Noncapital Financing Activities	213,992		213,992
Cash Flows from Investing Activities:			
Investment Income		\$ 124	124
Net Cash Flows Provided by Investing Activities		124	124
Net Increase in Cash and Cash Equivalents	69,632	124	69,756
Cash and Cash Equivalents, July 1	258,909	82,272	341,181
Cash and Cash Equivalents, June 30	\$ 328,541	\$ 82,396	\$ 410,937
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (145,452)		\$ (145,452)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:			
Federal Food Distribution Program	44,641		44,641
Depreciation Expense	8,528		8,528
Changes in Assets and Liabilities:			
Decrease in Inventory	2,507		2,507
(Decrease) in Accounts Payable	(5,297)		(5,297)
(Decrease) in Unearned Revenue - Prepaid Sales	(3,152)		(3,152)
(Decrease) in Unearned Revenue - Donated Commodities	(2,358)		(2,358)
Net Cash (Used for) Operating Activities	\$ (100,583)	\$ -0-	\$ (100,583)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$42,283 and utilized \$44,641 for the fiscal year ended June 30, 2023.

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, 2023

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, 2023
(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, 2023
(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, lease assets or subscription 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, 2023
(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, lease asset or subscription 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, 2023 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, 2023
(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	\$ 52,568,141	\$ 1,400,772
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		(6,973)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	210,921	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(239,355)	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 52,539,707	\$ 1,393,799
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 52,593,975	\$ 1,376,318
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.		(6,973)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 52,593,975	\$ 1,369,345

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2023
(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, 2023.

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.

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

K. Capital Assets (Cont'd)

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. Subscription Assets:

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets are determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

N. 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.

O. 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.

P. 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.

Q. 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.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

R. Subscription Payable:

In the district-wide financial statements, subscription payables are reported as liabilities in the Statement of Net Position. In the governmental Fund financial statements, the present value of subscription payments at the District's incremental borrowing rate over the subscription term is reported as other financing sources.

S. Unearned Revenue

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

T. Fund Balance Appropriated

General Fund: Of the \$7,144,792 General Fund fund balance at June 30, 2023, \$1,236,260 is assigned for encumbrances; \$927,972 is assigned and designated for subsequent year's expenditures; \$3,879,566 is restricted in the capital reserve account; \$236,498 is restricted for unemployment compensation and \$864,496 is unassigned which is \$239,355 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, 2024.

Special Revenue Fund: Of the \$381,038 Special Revenue Fund fund balance at June 30, 2023, \$188,837 is restricted for student activities and \$192,201 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 did not have excess surplus at June 30, 2023.

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.

U. 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, 2023 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, 2023.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

U. 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, and subscription 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.

V. Deficit Net Position

The District's governmental activities has a \$7,382,417 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.

W. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and also includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned. Fund balance restrictions have been established for capital reserve and 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, 2023.

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, 2023.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

X. 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.

Y. 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.

Z. 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.

AA. 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, 2023
(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, 2023
(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, 2023
(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, 2023, cash and cash equivalents of the District consisted of the following:

Accounts	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	
		Capital Reserve Account	Unemployment Compensation
Checking Accounts	\$ 2,585,174	\$ 3,879,566	\$ 236,498
		Restricted Cash and Cash Equivalents	
	Student Activities	Scholarships	Total
Checking Accounts	\$ 188,837	\$ 192,201	\$ 7,082,276

During the period ending June 30, 2023, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2023 was \$7,082,276 and the bank balance was \$7,437,052.

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, 2023
(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, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022	\$ 3,387,006
Interest Earned	1,169
Increase per Board Resolution - June 2023	858,626
Budgeted Withdrawal	<u>(367,235)</u>
Ending Balance, June 30, 2023	<u>\$ 3,879,566</u>

The balance in the capital reserve account at June 30, 2023 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, 2023 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	60,740,853			60,740,853
Machinery and Equipment	5,807,203	\$ 294,269	\$ (2,901)	6,098,571
Total Assets Being Depreciated	<u>66,548,056</u>	<u>294,269</u>	<u>(2,901)</u>	<u>66,839,424</u>
Governmental Activities Capital Assets	<u>66,593,866</u>	<u>294,269</u>	<u>(2,901)</u>	<u>66,885,234</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(27,411,872)	(1,116,490)		(28,528,362)
Machinery and Equipment	(5,375,041)	(161,644)	2,901	(5,533,784)
Total Accumulated Depreciation	<u>(32,786,913)</u>	<u>(1,278,134)</u>	<u>2,901</u>	<u>(34,062,146)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 33,806,953</u>	<u>\$ (983,865)</u>	<u>\$ -0-</u>	<u>\$ 32,823,088</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital assets balances and activity for the year ended June 30, 2023 were as follows: (Cont'd)

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
Business-Type Activities:				
Machinery and Equipment	\$ 418,681	\$ 43,777	\$ (5,000)	\$ 457,458
Less: Accumulated Depreciation	(381,593)	(8,528)	5,000	(385,121)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 37,088</u>	<u>\$ 35,249</u>	<u>\$ -0-</u>	<u>\$ 72,337</u>

Depreciation expense was charged to governmental functions as follows:

	Amount
Regular Instruction	\$ 21,125
General Administrative Services	47,009
Plant Operations and Maintenance	13,271
Pupil Transportation	69,428
Unallocated	<u>1,127,301</u>
Total Depreciation Expense	<u>\$ 1,278,134</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2023, the District transferred \$37,550 to the capital outlay accounts; \$36,793 for equipment for which County Superintendent approval was not required and \$757 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, 2023, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2022	Issued/ Accrued	Retired	Balance June 30, 2023
Serial Bonds Payable	\$ 13,030,000		\$ 1,005,000	\$ 12,025,000
Unamortized Bond Premium	1,126,366		148,946	977,420
Net Pension Liability	6,346,271	\$ 1,750,740		8,097,011
Compensated Absences	733,648	48,518	49,518	732,648
Total	<u>\$ 21,236,285</u>	<u>\$ 1,799,258</u>	<u>\$ 1,203,464</u>	<u>\$ 21,832,079</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2023 as follows:

Purpose	Issue Dates	Interest Rates	Final Date of Maturity	Balance June 30, 2023
Refunding Bond of 2002 Issue	9/14/2010	3.25%	10/1/2023	\$ 930,000
Refunding Bond of 2006/2007 Issues	2/10/2015	3.00-5.00%	2/1/2033	<u>11,095,000</u>
				<u>\$ 12,025,000</u>

The current portion of bonds payable at June 30, 2023 is \$1,045,000 and the long-term portion is \$10,980,000.

Debt service requirements on serial bonds payable at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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
2028	1,215,000	373,425	1,588,425
Thereafter:			
2029-2033	<u>6,720,000</u>	<u>960,350</u>	<u>7,680,350</u>
	<u>\$ 12,025,000</u>	<u>\$ 3,279,688</u>	<u>\$ 15,304,688</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2023, the Board has no bonds authorized but not issued.

C. Financed Purchases Payable:

As of June 30, 2023, the Board has no financed purchases payable.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2023, the current portion of the liability is \$97,742, and the long-term portion is \$879,678.

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 \$732,648 compensated absences payable balance at June 30, 2023 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, 2023, 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 \$8,097,011 net pension liability at June 30, 2023 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, 2023
(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. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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 \$676,593 for the current fiscal year. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$17,036 to the PERS for normal pension benefits on behalf of the District.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

At June 30, 2023, the District's liability was \$8,097,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the District's proportion was 0.0537%, which was an increase of 0.0001% from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized an actual pension benefit in the amount of \$322,479. Additionally, for the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$17,036 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

There was no state proportionate share of net pension liability attributable to the District as of June 30, 2023.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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)

At June 30, 2023, 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:	2018	5.63		\$ 194,636
	2019	5.21		243,230
	2020	5.16		715,228
	2021	5.13		59,349
	2022	5.04	\$ 25,087	
Subtotal			25,087	1,212,443
Changes in Proportion:	2018	5.63	4,577	
	2019	5.21	87,639	
	2020	5.16	113,673	
	2021	5.13	247,334	
	2022	5.04	12,559	
Subtotal			465,782	
Difference Between Expected and Actual Experience:	2018	5.63		7,411
	2019	5.21	18,593	
	2020	5.16	39,848	
	2021	5.13		19,951
	2022	5.04		24,174
Subtotal			58,441	51,536
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2019	5.00	8,009	
	2020	5.00	240,699	
	2021	5.00	(1,501,323)	
	2022	5.00	1,587,743	
Subtotal			335,128	
District Contribution Subsequent to the Measurement Date:	2022	1.00	717,256	
			\$ 1,601,694	\$ 1,263,979

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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
2023	\$ (694,552)
2024	(353,852)
2025	(172,567)
2026	376,475
2027	(827)
	\$ (845,323)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2022) 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, 2022 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%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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, 2023
(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, 2022 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, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 11,144,029	\$ 8,097,011	\$ 5,670,748

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

For additional information about the TPAF, please refer to the Division's 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, 2023
(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 2022, the State's pension contribution was more 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 2023, the State of New Jersey contributed \$6,615,884 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$2,254,214.

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, 2023, the State's proportionate share of the net pension liability associated with the District was \$83,759,935. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the District's proportion was 0.1623%, which was a decrease of 0.0041% from its proportion measured as of June 30, 2021.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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>83,759,935</u>

Total	\$	<u><u>83,759,935</u></u>
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For the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$2,254,214 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 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:			
2015	8.30 years	\$ 213,742,984	
2016	8.30 years	1,695,809,748	
2017	8.30 years		\$ 3,681,530,748
2018	8.29 years		2,705,362,525
2019	8.04 years		2,012,738,111
2020	7.99 years	1,007,402,060	
2021	7.93 years		11,041,509,093
2022	7.83 years	<u>96,143,072</u>	
		<u>3,013,097,864</u>	<u>19,441,140,477</u>
Difference Between Expected and Actual Experience:			
2015	8.30 years	13,201,022	
2016	8.30 years		21,088,845
2017	8.30 years	65,502,212	
2018	8.29 years	474,592,771	
2019	8.04 years		78,198,040
2020	7.99 years		5,368,990
2021	7.93 years	146,524,969	
2022	7.83 years	<u>18,009,041</u>	
		<u>699,820,974</u>	<u>122,664,916</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2019	5 years	36,220,692	
2020	5 years	482,791,080	
2021	5 years	(2,665,975,358)	
2022	5 years	<u>3,319,334,659</u>	
		<u>1,172,371,073</u>	
		<u>\$ 4,885,289,911</u>	<u>\$ 19,563,805,393</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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>
2023	\$ (2,658,825,381)
2024	(3,823,762,872)
2025	(3,351,102,048)
2026	(1,509,375,379)
2027	(1,647,727,819)
Thereafter	<u>(1,687,721,983)</u>
	<u>\$ (14,678,515,482)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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	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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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, 2022) 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, 2022 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%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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, 2023
(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, 2022 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, 2022		
	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	\$ 98,210,303	\$ 83,759,935	\$ 71,587,315

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 \$9,272 for the fiscal year ended June 30, 2023. Employee contributions to DCRP amounted to \$48,601 for the fiscal year ended June 30, 2023.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

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 Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

The total nonemployer OPEB liability does not include certain 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 Employees 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, 2021, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	151,669
Active Plan Members	<u>213,148</u>
Total	<u><u>364,817</u></u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 which was rolled forward to June 30, 2022.

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.

	TPAF/ABP	PERS	PFRS
Salary Increases	2.75 - 4.25%	2.75 - 6.55%	3.25 - 16.25%
	based on years of service	based on years of service	based on years of service

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 – June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. 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-2021. 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-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 “Safety” (PFRS), “General” (PERS) and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. 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, 2021	\$ 86,645,380
Changes for Year:	
Service Cost	3,895,281
Interest Cost	1,922,055
Difference Between Expected and Actual Experience	1,363,525
Changes in Assumptions	(19,456,113)
Member Contributions	61,077
Gross Benefit Payments	(1,903,852)
Net Changes	(14,118,027)
Balance at June 30, 2022	\$ 72,527,353

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, 2022 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, 2022		
	At 1% Decrease (2.54%)	At Discount Rate (3.54%)	At 1% Increase (4.54%)
Total OPEB Liability Attributable to the District	\$ 85,248,274	\$ 72,527,353	\$ 62,332,171

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan (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, 2022 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, 2022		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 59,948,290	\$ 72,527,353	\$ 89,050,716

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$2,368,257 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, 2022, 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		\$ 3,765,698
	2018	9.51		3,593,547
	2019	9.29	\$ 507,355	
	2020	9.24	11,978,865	
	2021	9.24	66,429	
	2022	9.13		17,325,104
				12,552,649
Differences between Expected and Actual Experience	2018	9.51		3,397,020
	2019	9.29		5,971,591
	2020	9.24	11,164,772	
	2021	9.24		12,774,828
	2022	9.13	1,784,237	
				12,949,009
Changes in Proportion	N/A	N/A	2,510,788	1,300,107
			\$ 28,012,446	\$ 48,127,895

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

State Health Benefit Program Fund – Local Education Retired Employees Plan (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
2023	\$ (3,604,642)
2024	(3,604,642)
2025	(3,604,642)
2026	(3,115,314)
2027	(1,781,378)
Total Thereafter	(5,615,512)
	\$ (21,326,130)

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, 2023
(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>
2022-2023	\$ 85,622	\$ 326	\$ 67,309	\$ 236,498
2021-2022	126,444	284	95,332	217,859
2020-2021	109,480	282	71,466	186,463

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, 2023
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

The June 30, 2023 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, 2022 is as follows:

<u>Year Ended</u> <u>June 30, 2022</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	<u>\$ 20,734,051</u>
Net Position	<u>\$ 6,279,806</u>
Total Revenue	<u>\$ 9,242,784</u>
Total Expenses	<u>\$ 10,198,425</u>
Member Dividends	<u>\$ 1,137,231</u>
Change in Net Position	<u>\$ (2,092,872)</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, 2023
(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, 2023, if any, is unknown.

Encumbrances

At June 30, 2023, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 1,236,260	\$ 35,564	\$ 1,271,824

On the District's Governmental Fund Balance Sheet as of June 30, 2023, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$35,564 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, 2023
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables as of June 30, 2023.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 159,726	\$ 10,607
Special Revenue Fund		159,726
Enterprise Fund - Food Service	10,607	
	\$ 170,333	\$ 170,333

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, 2023 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		\$ 717,256	\$ 717,256	\$ 33,191
Accrued Salaries and Wages	\$ 1,204		1,204	
Payroll Deductions and Withholdings	282,914		282,914	
	\$ 284,118	\$ 717,256	\$ 1,001,374	\$ 33,191

**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 NINE 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	2023
District's Proportion of the Net Pension Liability	0.0505060404%	0.0517121647%	0.0535708572%	0.0536532303%
District's Proportionate Share of the Net Pension Liability	\$ 9,100,422	\$ 8,432,902	\$ 6,346,271	\$ 8,097,011
District's Covered Employee Payroll	\$ 3,656,473	\$ 3,860,962	\$ 3,982,027	4,070,338
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	248.89%	218.41%	159.37%	198.93%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	56.27%	58.32%	70.33%	62.91%

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 NINE 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	2023
Contractually Required Contribution	\$ 493,688	\$ 583,639	\$ 627,377	\$ 676,593
Contributions in relation to the Contractually Required Contribution	(493,688)	(583,639)	(627,377)	(676,593)
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 3,860,962	\$ 3,982,027	\$ 4,070,338	\$ 4,221,233
Contributions as a percentage of Covered Employee Payroll	12.79%	14.66%	15.41%	16.03%

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 NINE 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	2023	
State's Proportion of the Net Pension Liability attributable to the District	0.1621803979%	0.1635896643%	0.1664544814%	0.1623430235%	
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 99,531,641	\$ 107,721,826	\$ 80,023,306	\$ 83,759,935	
District's Covered Employee Payroll	\$ 18,279,018	\$ 18,094,806	\$ 18,702,512	\$ 18,927,011	
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%	442.54%	
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	26.95%	24.60%	35.52%	32.29%	

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 NINE 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	2023	
Contractually Required Contribution	\$ 5,870,642	\$ 6,698,602	\$ 1,882,984	\$ 2,254,214	
Contributions in relation to the Contractually Required Contribution	<u>(3,588,148)</u>	<u>(4,838,631)</u>	<u>(6,683,104)</u>	<u>(6,615,884)</u>	
Contribution Deficiency/(Excess)	<u>\$ 2,282,494</u>	<u>\$ 1,859,971</u>	<u>\$ (4,800,120)</u>	<u>\$ (4,361,670)</u>	
District's Covered Employee Payroll	\$ 18,094,806	\$ 18,702,512	\$ 18,927,011	\$ 19,735,631	
Contributions as a percentage of Covered Employee Payroll	19.83%	25.87%	35.31%	33.52%	

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 CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL
OPEB LIABILITY ATTRIBUTABLE TO THE DISTRICT AND RELATED RATIOS
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Total OPEB Liability					
Service Cost	\$ 3,213,423	\$ 2,669,302	\$ 2,334,677	\$ 2,388,081	\$ 4,327,338
Interest Cost	2,391,220	2,768,332	2,532,735	2,100,868	2,247,672
Changes of Benefit Terms					(92,223)
Difference Between Expected and Actual Experience		(7,949,087)	(9,533,529)	16,880,076	(13,876,054)
Changes in Assumptions	(9,968,959)	(7,341,194)	871,304	17,474,934	85,482
Member Contributions	64,373	59,121	53,175	50,480	57,462
Gross Benefit Payments	(1,748,205)	(1,710,609)	(1,793,850)	(1,665,470)	(1,770,536)
Net Change in Total OPEB Liability	(6,048,148)	(11,504,135)	(5,535,488)	37,228,969	(9,020,859)
Total OPEB Liability - Beginning	81,525,041	75,476,893	63,972,758	58,437,270	95,666,239
Total OPEB Liability - Ending	<u>\$ 75,476,893</u>	<u>\$ 63,972,758</u>	<u>\$ 58,437,270</u>	<u>\$ 95,666,239</u>	<u>\$ 86,645,380</u>
District's Covered Employee Payroll *	\$ 20,187,023	\$ 20,172,706	\$ 21,374,605	\$ 21,935,491	\$ 21,955,768
Total OPEB Liability as a Percentage of Covered Employee Payroll	374%	317%	273%	436%	395%

	Fiscal Year Ending June 30, 2022
Total OPEB Liability	
Service Cost	\$ 3,895,281
Interest Cost	1,922,055
Changes of Benefit Terms	
Difference Between Expected and Actual Experience	1,363,525
Changes in Assumptions	(19,456,113)
Member Contributions	61,077
Gross Benefit Payments	(1,903,852)
Net Change in Total OPEB Liability	(14,118,027)
Total OPEB Liability - Beginning	86,645,380
Total OPEB Liability - Ending	<u>\$ 72,527,353</u>
District's Covered Employee Payroll *	\$ 22,684,539
Total OPEB Liability as a Percentage of Covered Employee Payroll	320%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2022 are based on the payroll on the June 30, 2016 - 2021 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, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% - 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00% - 6.00% through 2026 and 3.00% - 7.00% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% - 5.65% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 1.55% - 4.45% through 2026 and 2.75% - 5.65% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2022 was 3.54%. The discount rate for June 30, 2021 was 2.16%, a change of 1.38%.

The salary increases for TPAF/ABP thereafter were 1.55% - 4.45% through 2026 and 2.75% - 5.65% for thereafter in the valuation as of June 30, 2021. The salary increases for TPAF/ABP were 2.75% - 4.25% in the valuation as of June 30, 2022.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

The salary increases for PERS were 2.00% - 6.00% through 2026 and 3.00% - 7.00% for thereafter in the valuation as of June 30, 2021. The salary increases for PERS were 2.75% - 6.55% in the valuation as of June 30, 2022.

The salary increases for PFRS were 3.25% - 15.25% through 2026 and not applicable for thereafter in the valuation as of June 30, 2021. The salary increases for PFRS were 3.25% - 16.25% in the valuation as of June 30, 2022.

The health care trend rates in the valuation as of June 30, 2022 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years.

The health care trend rates in the valuation as of June 30, 2021 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.65% 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 rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years.

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 39,101,094		\$ 39,101,094	\$ 39,101,094	
Tuition from Individuals	35,000		35,000	15,300	\$ (19,700)
Tuition from Other LEAs Within the State	40,000		40,000	8,887	(40,000)
Interest Revenue				1,169	8,887
Interest Revenue - Capital Reserve	175,000		175,000	105,184	1,169
Miscellaneous					(69,816)
Total - Local Sources	39,351,094		39,351,094	39,231,634	(119,460)
State Sources:					
Transportation Aid	617,484		617,484	617,484	
Special Education Aid	1,669,372		1,669,372	1,669,372	
Security Aid	164,769		164,769	164,769	
Extraordinary Aid	750,000		750,000	969,226	219,226
Nonpublic School Transportation Costs				30,264	30,264
State Reimbursement for Lead Testing of Drinking Water				9,442	9,442
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				6,615,884	6,615,884
Post-Retirement Medical Benefits (Non-Budgeted)				1,762,089	1,762,089
Non-Contributory Insurance (Non-Budgeted)				91,788	91,788
Long-Term Disability Insurance (Non-Budgeted)				1,586	1,586
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,404,603	1,404,603
Total State Sources	3,201,625		3,201,625	13,336,507	10,134,882
TOTAL REVENUES	42,552,719		42,552,719	52,568,141	10,015,422

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 338,832	\$ 9,723	\$ 348,555	\$ 347,935	\$ 620
Grades 1-5 - Salaries of Teachers	3,407,520	73,741	3,481,261	3,481,253	8
Grades 6-8 - Salaries of Teachers	3,163,110	(85,723)	3,077,387	3,071,107	6,280
Grades 9-12 - Salaries of Teachers	4,715,271	136,916	4,852,187	4,852,088	99
Regular Programs - Home Instruction:					
Salaries of Teachers	11,000	(8,858)	2,142	2,141	1
Purchased Professional - Educational Services	22,045	(6,584)	15,461	15,169	292
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	146,733	3,993	150,726	135,877	14,849
Other Purchased Services (400-500 series)	201,337	(7,182)	194,155	177,504	16,651
General Supplies	372,344	17,377	389,721	332,713	57,008
Textbooks	66,584	(16,440)	50,144	46,761	3,383
Total Regular Programs - Instruction	<u>12,444,776</u>	<u>116,963</u>	<u>12,561,739</u>	<u>12,462,548</u>	<u>99,191</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	313,785	58,514	372,299	372,297	2
Other Salaries for Instruction	148,937	(115,496)	33,441	33,421	20
General Supplies	2,500		2,500	1,320	1,180
Total Learning and/or Language Disabilities	<u>465,222</u>	<u>(56,982)</u>	<u>408,240</u>	<u>407,038</u>	<u>1,202</u>
Auditory Impairments:					
Salaries of Teachers	33,692	1,839	35,531	35,531	
General Supplies	2,250		2,250	976	1,274
Total Auditory Impairments	<u>35,942</u>	<u>1,839</u>	<u>37,781</u>	<u>36,507</u>	<u>1,274</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 193,996	\$ (6,980)	\$ 187,016	\$ 187,006	\$ 10
Other Salaries for Instruction	33,000	43,878	76,878	76,760	118
General Supplies	4,100		4,100	3,556	544
Total Multiple Disabilities	231,096	36,898	267,994	267,322	672
Resource Room/Resource Center:					
Salaries of Teachers	2,482,189	(159,660)	2,322,529	2,322,528	1
Other Salaries for Instruction	497,726	(46,280)	451,446	441,173	10,273
General Supplies	7,172		7,172	6,378	794
Total Resource Room/Resource Center	2,987,087	(205,940)	2,781,147	2,770,079	11,068
Autism:					
Salaries of Teachers	171,604	56,825	228,429	228,417	12
Other Salaries for Instruction	351,706	(154,215)	197,491	197,442	49
General Supplies	2,000		2,000	1,829	171
Total Autism	525,310	(97,390)	427,920	427,688	232
Preschool Disabilities - Part-time:					
Salaries of Teachers	144,035	(4,205)	139,830	139,824	6
Other Salaries for Instruction	92,209	(16,994)	75,215	75,171	44
General Supplies	1,627		1,627	500	1,127
Total Preschool Disabilities - Part-time	237,871	(21,199)	216,672	215,495	1,177
Home Instruction:					
Salaries of Teachers	45,500	6,789	52,289	52,283	6
Purchased Professional - Educational Services	44,490	(28,396)	16,094	9,633	6,461
Total Home Instruction	89,990	(21,607)	68,383	61,916	6,467

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Total Special Education Instruction	\$ 4,572,518	\$ (364,381)	\$ 4,208,137	\$ 4,186,045	\$ 22,092
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	421,796	(1,553)	420,243	419,034	1,209
General Supplies	2,200		2,200	1,783	417
Total Basic Skills/Remedial - Instruction	423,996	(1,553)	422,443	420,817	1,626
Bilingual Education - Instruction:					
Salaries of Teachers	61,216	(780)	60,436	60,436	
General Supplies	200		200	192	8
Total Bilingual Education - Instruction	61,416	(780)	60,656	60,628	8
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	232,228	21,238	253,466	253,464	2
Supplies and Materials	8,882		8,882	6,046	2,836
Other Objects	7,480	15,388	22,868	19,646	3,222
Total School-Sponsored Cocurricular Activities - Instruction	248,590	36,626	285,216	279,156	6,060
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	541,019	(22,894)	518,125	518,123	2
Purchased Services (300-500 series)	166,460	(9,628)	156,832	145,984	10,848
Supplies and Materials	101,665	(372)	101,293	90,994	10,299
Other Objects	25,100	542	25,642	25,432	210
Transfer to Cover Deficit (Agency Fund)	18,980		18,980	9,195	9,785
Total School-Sponsored Cocurricular Athletics - Instruction	853,224	(32,352)	820,872	789,728	31,144
Total Instruction	18,604,520	(245,477)	18,359,043	18,198,922	160,121

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 183,772	\$ (52,922)	\$ 130,850	\$ 107,880	\$ 22,970
Tuition to County Vocational Schools - Regular	166,652		166,652	165,052	1,600
Tuition to County Vocational Schools - Special	25,000	5,325	30,325	26,775	3,550
Tuition to Private Schools for the Disabled - Within State	1,411,528	(165,731)	1,245,797	1,174,521	71,276
Total Undistributed Expenditures - Instruction	1,786,952	(213,328)	1,573,624	1,474,228	99,396
Attendance and Social Work Services:					
Salaries	26,768	5,203	31,971	31,970	1
Total Attendance and Social Work Services	26,768	5,203	31,971	31,970	1
Health Services:					
Salaries	492,495	(15,365)	477,130	466,904	10,226
Purchased Professional and Technical Services	26,694	1,887	28,581	16,974	11,607
Supplies and Materials	8,551	(1,334)	7,217	6,777	440
Total Health Services	527,740	(14,812)	512,928	490,655	22,273
Other Support Services - Students - Speech OT, PT and Related Services:					
Salaries	578,676	(18,839)	559,837	559,816	21
Purchased Professional - Educational Services	60,000	(13,073)	46,927	23,223	23,704
Supplies and Materials	12,160		12,160	5,335	6,825
Total Other Support Services - Students - Speech OT, PT and Related Services	650,836	(31,912)	618,924	588,374	30,550
Other Support Services - Students - Extraordinary Services:					
Salaries	657,775	20,785	678,560	678,213	347
Purchased Professional - Educational Services	863,876	(5,000)	858,876	465,577	393,299
Total Other Support Services - Students - Extraordinary Services	1,521,651	15,785	1,537,436	1,143,790	393,646

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	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	\$ 907,507	\$ 37,648	\$ 945,155	\$ 945,153	\$ 2
Salaries of Secretarial and Clerical Assistants	124,365	(7,685)	116,680	116,679	1
Supplies and Materials	32,200	(4,916)	27,284	26,884	400
Total Other Support Services - Students - Guidance	1,064,072	25,047	1,089,119	1,088,716	403
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	1,031,995	67,258	1,099,253	1,099,249	4
Salaries of Secretarial and Clerical Assistants	101,353	(5,446)	95,907	95,906	1
Purchased Professional - Educational Services	33,000	1,065	34,065	32,080	1,985
Other Purchased Services	30,480	19,048	49,528	40,828	8,700
Supplies and Materials	13,251	(799)	12,452	11,002	1,450
Other Objects	2,800		2,800	1,195	1,605
Total Other Support Services - Students - Child Study Teams	1,212,879	81,126	1,294,005	1,280,260	13,745
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	576,594	(98,402)	478,192	477,912	280
Salaries of Other Professional Staff	69,229	1,736	70,965	70,964	1
Purchased Professional - Educational Services	29,107	(7,840)	21,267	17,431	3,836
Other Purchased Services (400-500 series)	11,262	617	11,879	6,299	5,580
Supplies and Materials	1,292	102	1,394	1,069	325
Other Objects	8,665	(1,350)	7,315	5,313	2,002
Total Improvement of Instructional Services	696,149	(105,137)	591,012	578,988	12,024

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 429,353	\$ (2,762)	\$ 426,591	\$ 426,564	\$ 27
Salaries of Technology Coordinators	207,515	2,439	209,954	209,953	1
Supplies and Materials	47,880	951	48,831	43,939	4,892
Total Educational Media Services/School Library	684,748	628	685,376	680,456	4,920
Instructional Staff Training Services:					
Salaries of Other Professional Staff	29,435	10,951	40,386	37,559	2,827
Purchased Professional - Educational Services	36,387	4,750	41,137	35,954	5,183
Other Purchased Services (400-500 series)	16,280	(8,000)	8,280	3,085	5,195
Supplies and Materials	1,000	400	1,400	771	629
Total Instructional Staff Training Services	83,102	8,101	91,203	77,369	13,834
Support Services - General Administration:					
Salaries	286,730	26,174	312,904	312,895	9
Legal Services	117,014	5,600	122,614	101,545	21,069
Audit Fees	39,500	(1,000)	38,500	38,500	
Other Purchased Professional Services	10,700	(2,567)	8,133	8,063	70
Communications/Telephone	181,112	93,603	274,715	244,574	30,141
BOE Other Purchased Services	3,600	2,100	5,700	5,663	37
Miscellaneous Purchased Services (400-500 series)	13,100	(1,533)	11,567	5,017	6,550
General Supplies	1,529	617	2,146	2,137	9
Miscellaneous Expenditures	4,125	(1,211)	2,914	2,850	64
BOE Membership Dues and Fees	15,900	11	15,911	15,911	
Total Support Services - General Administration	673,310	121,794	795,104	737,155	57,949

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	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	\$ 1,246,446	\$ 2,634	\$ 1,249,080	\$ 1,249,047	\$ 33
Salaries of Secretarial and Clerical Assistants	425,952	(1,378)	424,574	423,366	1,208
Purchased Professional and Technical Services	56,803	9,124	65,927	63,525	2,402
Other Purchased Services (400-500 series)	106,648	3,020	109,668	73,603	36,065
Supplies and Materials	14,317	1,783	16,100	13,848	2,252
Other Objects	13,030	(2,320)	10,710	9,638	1,072
Total Support Services - School Administration	1,863,196	12,863	1,876,059	1,833,027	43,032
Central Services:					
Salaries	374,468	55,864	430,332	430,229	103
Purchased Professional Services	14,855	(362)	14,493	12,929	1,564
Purchased Technical Services	30,000	11,729	41,729	41,729	
Miscellaneous Purchased Services (400-500 series)	10,034	2,806	12,840	5,294	7,546
Supplies and Materials	10,423	2,586	13,009	12,009	1,000
Other Objects	3,348	422	3,770	3,570	200
Total Central Services	443,128	73,045	516,173	505,760	10,413
Administration Information Technology:					
Salaries	126,030	(25,021)	101,009	100,987	22
Purchased Technical Services	6,700	5,058	11,758	11,757	1
Total Administration Information Technology	132,730	(19,963)	112,767	112,744	23

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 199,003	\$ 6,437	\$ 205,440	\$ 205,408	\$ 32
Cleaning, Repair and Maintenance Services	194,828	(18,373)	176,455	144,373	32,082
General Supplies	49,873	(2,350)	47,523	42,842	4,681
Total Required Maintenance of School Facilities	443,704	(14,286)	429,418	392,623	36,795
Custodial Services:					
Salaries	1,154,452	(26,102)	1,128,350	1,111,292	17,058
Salaries of Non-Instructional Aides	85,993	7,376	93,369	92,506	863
Purchased Professional and Technical Services	63,001	4,945	67,946	54,451	13,495
Cleaning, Repair and Maintenance Services	131,201	(8,763)	122,438	106,143	16,295
Other Purchased Property Services	155,055	(1,282)	153,773	146,019	7,754
Insurance	315,000	62,564	377,564	377,563	1
General Supplies	123,788	(5,700)	118,088	107,418	10,670
Energy (Natural Gas)	176,977	90,724	267,701	250,062	17,639
Energy (Electricity)	407,326	(52,685)	354,641	354,629	12
Other Objects	22,934	(1,600)	21,334	15,147	6,187
Total Custodial Services	2,635,727	69,477	2,705,204	2,615,230	89,974
Care and Upkeep of Grounds:					
Salaries	146,373	4,055	150,428	150,427	1
Cleaning, Repair & Maintenance Services	133,835	57,638	191,473	173,418	18,055
General Supplies	57,423	(15,993)	41,430	40,195	1,235
Total Care and Upkeep of Grounds	337,631	45,700	383,331	364,040	19,291
Security:					
Purchased Professional and Technical Services	90,000		90,000	90,000	
General Supplies	44,714	(44)	44,670	35,421	9,249
Total Security	134,714	(44)	134,670	125,421	9,249

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	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	\$ 25,000	\$ (22,045)	\$ 2,955	\$ 2,955	
Between Home and School - Regular	433,275	68,657	501,932	501,929	\$ 3
Cleaning, Repair, & Maintenance Services	55,883	6,024	61,907	61,903	4
Contracted Services:					
Aid in Lieu Payments - Nonpublic Students	87,170	14,365	101,535	100,692	843
Between Home and School - Vendors	1,128,211	(16,075)	1,112,136	1,112,048	88
Other than Between Home and School - Vendors	37,290	31,714	69,004	63,989	5,015
Special Education - ESC's & CTSA's	1,080,299	17,800	1,098,099	1,098,081	18
Miscellaneous Purchased Services - Transportation	6,800	(3,349)	3,451	3,451	
General Supplies	59,199	10,576	69,775	67,018	2,757
Other Objects	1,060		1,060	1,060	
Total Student Transportation Services	2,914,187	107,667	3,021,854	3,013,126	8,728
Unallocated Benefits:					
Social Security Contributions	470,000	85,629	555,629	555,629	
Other Retirement Contributions - PERS	533,676	161,550	695,226	676,593	18,633
Other Retirement Contributions - Regular		9,272	9,272	9,272	
Unemployment Compensation	7,000	(7,000)			
Workmen's Compensation	220,870	(34,800)	186,070	186,064	6
Health Benefits	5,693,645	(44,523)	5,649,122	5,015,465	633,657
Tuition Reimbursement	157,125	(16,422)	140,703	137,587	3,116
Other Employee Benefits	137,795	(90,233)	47,562	47,561	1
Unused Sick Payment to Terminated/Retired Staff	22,500	(22,500)			
Total Unallocated Benefits	7,242,611	40,973	7,283,584	6,628,171	655,413

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				\$ 6,615,884	\$ (6,615,884)
Post-Retirement Medical Benefits (Non-Budgeted)				1,762,089	(1,762,089)
Non-Contributory Insurance (Non-Budgeted)				91,788	(91,788)
Long-Term Disability Insurance (Non-Budgeted)				1,586	(1,586)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,404,603	(1,404,603)
Total On-Behalf and Reimbursed TPAF Contributions				9,875,950	(9,875,950)
Total Personal Services - Employee Benefits	\$ 7,242,611	\$ 40,973	\$ 7,283,584	16,504,121	(9,220,537)
Total Undistributed Expenses	25,075,835	207,927	25,283,762	33,638,053	(8,354,291)
TOTAL CURRENT EXPENSE	43,680,355	(37,550)	43,642,805	51,836,975	(8,194,170)
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	91,266	(1,083)	90,183	64,355	25,828
Grades 6-8	48,582	(15,968)	32,614	32,613	1
Grades 9-12	158,307	(21,665)	136,642	130,638	6,004
Undistributed Expenditures:					
Required Maintenance for School Facilities	215,622	84,953	300,575	271,897	28,678
Care and Upkeep of Grounds	45,000	(9,444)	35,556	35,555	1
Security	5,600		5,600	3,709	1,891
Student Transportation Non-Instructional Equipment	143,095		143,095	141,395	1,700
Total Equipment	707,472	36,793	744,265	680,162	64,103

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 58,083	757	\$ 58,840	\$ 58,083	\$ 756
Other Objects - Debt Service Assessment					1
Total Facilities Acquisition and Construction Services	58,083	757	58,840	58,839	1
TOTAL CAPITAL OUTLAY	765,555	37,550	803,105	739,001	64,104
Transfer of Funds to Charter Schools	18,000		18,000	17,999	1
TOTAL EXPENDITURES	44,463,910		44,463,910	52,593,975	(8,130,065)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,911,191)		(1,911,191)	(25,834)	1,885,357
Fund Balance, July 1	7,409,981		7,409,981	7,409,981	
Fund Balance, June 30	\$ 5,498,790	\$ -0-	\$ 5,498,790	\$ 7,384,147	\$ 1,885,357
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 3,879,566	
Unemployment Compensation				236,498	
Assigned:					
Year-end Encumbrances				1,236,260	
For Subsequent Year's Expenditures				927,972	
Unassigned				1,103,851	
				7,384,147	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(239,355)	
Fund Balance per Governmental Fund on (Exhibit B-2)				\$ 7,144,792	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
 (UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 44,085		\$ 44,085	\$ 44,085	
Federal Sources	1,021,350		1,021,350	823,212	\$ (198,138)
Local Sources	53,275	\$ 455,746	509,021	533,475	24,454
Total Revenues	<u>1,118,710</u>	<u>455,746</u>	<u>1,574,456</u>	<u>1,400,772</u>	<u>(173,684)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	145,756		145,756	71,500	74,256
Purchased Professional and Technical Services	40,524		40,524	1,670	38,854
Tuition	350,174		350,174	350,174	
General Supplies	64,617		64,617	63,607	1,010
Textbooks	594		594	594	
Other Objects	53,875		53,875	53,875	
Total Instruction	<u>655,540</u>		<u>655,540</u>	<u>541,420</u>	<u>114,120</u>
Support Services:					
Purchased Professional and Technical Services	136,177		136,177	122,699	13,478
Purchased Professional Educational Services	1,008		1,008	1,008	
Other Purchased Services	142,565		142,565	77,332	65,233
Supplies and Materials	26,124		26,124	20,817	5,307
Other Objects	936		936	936	
Student Activities		414,246	414,246	414,246	
Scholarships		41,500	41,500	41,500	
Total Support Services	<u>306,810</u>	<u>455,746</u>	<u>762,556</u>	<u>678,538</u>	<u>84,018</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	116,100		116,100	116,100	
Buildings	40,260		40,260	40,260	
Total Facilities Acquisition and Construction Services	<u>156,360</u>		<u>156,360</u>	<u>156,360</u>	
Total Expenditures	<u>1,118,710</u>	<u>455,746</u>	<u>1,574,456</u>	<u>1,376,318</u>	<u>198,138</u>
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 24,454</u>	<u>\$ (24,454)</u>

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 52,568,141	\$ 1,400,772
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		(6,973)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	210,921	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(239,355)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 52,539,707</u>	 <u>\$ 1,393,799</u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 52,593,975	\$ 1,376,318
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>(6,973)</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 52,593,975</u>	 <u>\$ 1,369,345</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, 2023, 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, 2023

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, 2023

	Elementary and Secondary Education Act		IDEA Part B Basic	IDEA Part B Preschool	COVID-19 ARP	
	Title I 2022-23	Title IIA 2022-23			IDEA Part B Basic	IDEA Part B Basic
REVENUE:						
State Sources	\$ 29,085	\$ 4,150	\$ 34,324	\$ 18,132	\$ 3,936	
Federal Sources						
Local Sources						
Total Revenue	\$ 29,085	\$ 4,150	\$ 34,324	\$ 18,132	\$ 3,936	
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$ 17,702	\$ 3,277	\$ 16,132			
Purchased Professional and Technical Services						
Tuition	1,670		\$ 350,174			
General Supplies	3,970	3,600	5,000	2,000	1,000	
Textbooks						
Other Objects						
Total Instruction	23,342	3,600	355,174	18,132	1,000	
Support Services:						
Purchased Professional and Technical Services	1,705	15,929			2,000	
Purchased Professional - Educational Services	2,209	12,775				
Other Purchased Services	1,829	550	2,343		936	
Supplies and Materials						
Other Objects						
Student Activities						
Scholarships						
Total Support Services	5,743	550	31,047		2,936	
Facilities Acquisition:						
Instructional Equipment						
Buildings						
Total Facilities Acquisition						
Total Expenditures	\$ 29,085	\$ 4,150	\$ 34,324	\$ 18,132	\$ 3,936	

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		COVID-19 ARP				
	IDEA Part B Preschool	ESSER III	Accelerated Learning Coaching and Educator Support	Evidence-Based Summer Learning and Enrichment Activities	Evidence-Based Comprehensive Beyond the School Day Activities	NJTSS Mental Health Support Staffing
REVENUE:						
State Sources	\$ 3,912	\$ 236,465	\$ 52,045	\$ 5,528	\$ 3,861	\$ 45,000
Federal Sources						
Local Sources						
Total Revenue	\$ 3,912	\$ 236,465	\$ 52,045	\$ 5,528	\$ 3,861	\$ 45,000
EXPENDITURES:						
Instruction:						
Salaries of Teachers					\$ 3,861	
Purchased Professional and Technical Services				\$ 5,528		
Tuition						
General Supplies	\$ 814	\$ 45,000				
Textbooks						
Other Objects	600					
Total Instruction	1,414	45,000		5,528	3,861	
Support Services:						
Purchased Professional and Technical Services		15	\$ 51,450			\$ 45,000
Purchased Professional - Educational Services				595		
Other Purchased Services		61,753				
Supplies and Materials	2,498	13,597				
Other Objects						
Student Activities						
Scholarships						
Total Support Services	2,498	75,365	52,045			45,000
Facilities Acquisition:						
Instructional Equipment		116,100				
Buildings						
Total Facilities Acquisition		116,100				
Total Expenditures	\$ 3,912	\$ 236,465	\$ 52,045	\$ 5,528	\$ 3,861	\$ 45,000

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	COVID-19 CRRSA					
	Learning Acceleration	Mental Health	Textbooks	Nursing	Nonpublic Security	Technology
REVENUE:						
State Sources	\$ 25,000	\$ 6,600	\$ 594	\$ 1,008	\$ 1,845	\$ 378
Federal Sources						
Local Sources						
Total Revenue	\$ 25,000	\$ 6,600	\$ 594	\$ 1,008	\$ 1,845	\$ 378
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$ 25,000					
Purchased Professional and Technical Services						
Tuition						
General Supplies			\$ 594		\$ 1,845	\$ 378
Textbooks						
Other Objects						
Total Instruction	25,000		594		1,845	378
Support Services:						
Purchased Professional and Technical Services		\$ 6,600				
Purchased Professional - Educational Services				\$ 1,008		
Other Purchased Services						
Supplies and Materials						
Other Objects						
Student Activities						
Scholarships						
Total Support Services		6,600		1,008		
Facilities Acquisition:						
Instructional Equipment						
Buildings						
Total Facilities Acquisition						
Total Expenditures	\$ 25,000	\$ 6,600	\$ 594	\$ 1,008	\$ 1,845	\$ 378

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	SDA Emergent and Capital Maintenance Needs Grant	Student Activities	Scholarships	Local Grants	Totals June 30, 2023
REVENUE:					
State Sources	\$ 40,260				\$ 44,085
Federal Sources		\$ 444,952	\$ 35,248	\$ 53,275	823,212
Local Sources					533,475
Total Revenue	\$ 40,260	\$ 444,952	\$ 35,248	\$ 53,275	\$ 1,400,772
EXPENDITURES:					
Instruction:					
Salaries of Teachers					\$ 71,500
Purchased Professional and Technical Services					1,670
Tuition					350,174
General Supplies					63,607
Textbooks					594
Other Objects				\$ 53,275	53,875
Total Instruction				\$ 53,275	541,420
Support Services:					
Purchased Professional and Technical Services					122,699
Purchased Professional - Educational Services					1,008
Other Purchased Services					77,332
Supplies and Materials					20,817
Other Objects					936
Student Activities	\$ 414,246				414,246
Scholarships		\$ 41,500			41,500
Total Support Services		414,246	41,500		678,538
Facilities Acquisition:					
Instructional Equipment Buildings	\$ 40,260				116,100
Total Facilities Acquisition	40,260				40,260
Total Expenditures	\$ 40,260	\$ 414,246	\$ 41,500	\$ 53,275	\$ 1,376,318

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Food Service		Enterprise Funds
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 328,541	\$ 82,396	\$ 410,937
Accounts Receivable:			
Federal	5,621		5,621
State	326		326
Interfund Receivable	10,607		10,607
Inventories	13,182		13,182
Total Current Assets	358,277	82,396	440,673
Non-Current Assets:			
Capital Assets	457,458		457,458
Less: Accumulated Depreciation	(385,121)		(385,121)
Total Non-Current Assets	72,337		72,337
Total Assets	430,614	82,396	513,010
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	33,191		33,191
Unearned Revenue - Prepaid Sales	19,052		19,052
Unearned Revenue - Donated Commodities	1,706		1,706
Unearned Revenue - Supply Chain Assistance	44,237		44,237
Total Current Liabilities	98,186		98,186
<u>NET POSITION:</u>			
Investment in Capital Assets	72,337		72,337
Unrestricted	260,091	82,396	342,487
Total Net Position	\$ 332,428	\$ 82,396	\$ 414,824

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Food Service		Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 286,754		\$ 286,754
Daily Sales - Non-Reimbursable Programs	220,690		220,690
Total Operating Revenue	507,444		507,444
Operating Expenses:			
Cost of Sales - Reimbursable Programs	167,703		167,703
Cost of Sales - Non-Reimbursable Programs	111,066		111,066
Salaries, Benefits & Payroll Taxes	268,803		268,803
Management Fee	19,061		19,061
Depreciation Expense	8,528		8,528
Supplies and Materials	75,303		75,303
Administrative Expenses	2,432		2,432
Total Operating Expenses	652,896		652,896
Operating (Loss)	(145,452)		(145,452)
Non-Operating Income:			
Local Sources:			
Interest Income		\$ 124	124
State Sources:			
State School Lunch Program	5,139		5,139
Federal Sources:			
National School Lunch Program	86,829		86,829
Food Distribution Program	44,641		44,641
COVID-19 - Supply Chain Assistance Award	38,441		38,441
Total Non-Operating Income	175,050	124	175,174
Change in Net Position	29,598	124	29,722
Net Position - Beginning of Year	302,830	82,272	385,102
Net Position - End of Year	\$ 332,428	\$ 82,396	\$ 414,824

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Food Service		Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 504,292		\$ 504,292
Payments to Food Service Vendor	(571,233)		(571,233)
Payments to Suppliers	(33,642)		(33,642)
Net Cash (Used for) Operating Activities	(100,583)		(100,583)
Cash Flows (Used for) Capital Financing Activities:			
Acquisition of Equipment	(43,777)		(43,777)
Net Cash (Used for) Capital Financing Activities	(43,777)		(43,777)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	213,992		213,992
Net Cash Provided by Noncapital Financing Activities	213,992		213,992
Cash Flows from Investing Activities:			
Interest Earned		\$ 124	124
Net Cash Flows Provided by Investing Activities		124	124
Net Increase in Cash and Cash Equivalents	69,632	124	69,756
Cash and Cash Equivalents, July 1	258,909	82,272	341,181
Cash and Cash Equivalents, June 30	\$ 328,541	\$ 82,396	\$ 410,937
Reconciliation of Operating (Loss) to Net			
Cash (Used for) Operating Activities:			
Operating (Loss)	\$ (145,452)		\$ (145,452)
Adjustment to Reconcile Operating (Loss) to Net			
Cash (Used for) Operating Activities:			
Federal Food Distribution Program	44,641		44,641
Depreciation Expense	8,528		8,528
Changes in Assets and Liabilities:			
Decrease in Inventory	2,507		2,507
(Decrease) in Accounts Payable	(5,297)		(5,297)
(Decrease) in Unearned Revenue - Prepaid Sales	(3,152)		(3,152)
(Decrease) in Unearned Revenue - Donated Commodities	(2,358)		(2,358)
Net Cash (Used for) Operating Activities	\$ (100,583)	\$ -0-	\$ (100,583)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$42,283 and utilized \$44,641 for the fiscal year ended June 30, 2023.

**FIDUCIARY ACTIVITIES
(NOT APPLICABLE)**

LONG-TERM LIABILITIES

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, 2022	Matured	Balance June 30, 2023
			Outstanding		Amount	Balance June 30, 2022				
			Date	June 30, 2023						
Refunding Bond of 2002 Issue	9/14/10	\$ 9,980,000	10/1/23	\$ 930,000		3.25%	\$ 1,875,000	\$ 945,000	\$ 930,000	
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	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%				
							11,155,000	60,000	11,095,000	
							<u>\$ 13,030,000</u>	<u>\$ 1,005,000</u>	<u>\$ 12,025,000</u>	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,499,556		\$ 1,499,556	\$ 1,499,556	
State Sources:					
Debt Service Type II Aid	72,960		72,960	72,960	
Total Revenue	<u>1,572,516</u>		<u>1,572,516</u>	<u>1,572,516</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	567,516		567,516	567,516	
Redemption of Principal	1,005,000		1,005,000	1,005,000	
Total Regular Debt Service	<u>1,572,516</u>		<u>1,572,516</u>	<u>1,572,516</u>	
Total Expenditures	<u>1,572,516</u>		<u>1,572,516</u>	<u>1,572,516</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
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	June 30,				
	2014	2015	2016	2017	2018
Governmental activities					
Net Investment in capital assets	\$ 19,254,575	\$ 21,151,918	\$ 19,322,431	\$ 19,646,697	\$ 22,277,585
Restricted	861,139	677,206	1,119,539	1,295,938	2,153,249
Unrestricted/(Deficit)	<u>(6,363,054)</u>	<u>(8,118,400)</u>	<u>(6,829,262)</u>	<u>(7,736,429)</u>	<u>(11,530,632)</u>
Total governmental activities net position	<u>\$ 13,752,660</u>	<u>\$ 13,710,724</u>	<u>\$ 13,612,708</u>	<u>\$ 13,206,206</u>	<u>\$ 12,900,202</u>
Business-type activities					
Investment in capital assets	\$ 79,782	\$ 65,787	\$ 70,392	\$ 56,397	\$ 43,823
Unrestricted	207,535	244,914	274,845	312,481	355,557
Total business-type activities net position	<u>\$ 287,317</u>	<u>\$ 310,701</u>	<u>\$ 345,237</u>	<u>\$ 368,878</u>	<u>\$ 399,380</u>
District-wide					
Net Investment in capital assets	\$ 19,334,357	\$ 21,217,705	\$ 19,392,823	\$ 19,703,094	\$ 22,321,408
Restricted	861,139	677,206	1,119,539	1,295,938	2,153,249
Unrestricted/(Deficit)	<u>(6,155,519)</u>	<u>(7,873,486)</u>	<u>(6,554,417)</u>	<u>(7,423,948)</u>	<u>(11,175,075)</u>
Total district net position	<u>\$ 14,039,977</u>	<u>\$ 14,021,425</u>	<u>\$ 13,957,945</u>	<u>\$ 13,575,084</u>	<u>\$ 13,299,582</u>

	June 30,				
	2019	2020	2021	2022	2023
Governmental activities					
Net Investment in capital assets	\$ 22,001,528	\$ 21,716,861	\$ 21,458,097	\$ 21,147,367	\$ 21,062,961
Restricted	2,263,871	2,895,938	3,723,351	4,152,200	4,497,102
Unrestricted/(Deficit)	<u>(10,975,011)</u>	<u>(10,916,263)</u>	<u>(10,064,864)</u>	<u>(8,164,853)</u>	<u>(7,382,417)</u>
Total governmental activities net position	<u>\$ 13,290,388</u>	<u>\$ 13,696,536</u>	<u>\$ 15,116,584</u>	<u>\$ 17,134,714</u>	<u>\$ 18,177,646</u>
Business-type activities					
Investment in capital assets	\$ 50,261	\$ 46,847	\$ 39,291	\$ 37,088	\$ 72,337
Unrestricted	339,721	270,174	142,658	348,014	342,487
Total business-type activities net position	<u>\$ 389,982</u>	<u>\$ 317,021</u>	<u>\$ 181,949</u>	<u>\$ 385,102</u>	<u>\$ 414,824</u>
District-wide					
Net Investment in capital assets	\$ 22,051,789	\$ 21,763,708	\$ 21,497,388	\$ 21,184,455	\$ 21,135,298
Restricted	2,263,871	2,895,938	3,723,351	4,152,200	4,497,102
Unrestricted/(Deficit)	<u>(10,635,290)</u>	<u>(10,646,089)</u>	<u>(9,922,206)</u>	<u>(7,816,839)</u>	<u>(7,039,930)</u>
Total district net position	<u>\$ 13,680,370</u>	<u>\$ 14,013,557</u>	<u>\$ 15,298,533</u>	<u>\$ 17,519,816</u>	<u>\$ 18,592,470</u>

Source: School District Financial Reports

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

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

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,				
	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
Instruction:					
Regular	\$ 19,088,105	\$ 18,550,528	\$ 19,465,268	\$ 18,966,625	\$ 18,937,800
Special education	6,155,701	6,348,241	6,575,280	6,315,666	6,394,688
Other special education	809,382	786,492	791,791	767,054	723,896
Other instruction	1,225,122	1,239,085	1,101,857	894,928	997,069
Support Services:					
Tuition	2,096,440	2,037,471	1,960,980	1,901,665	1,807,908
Student & instruction related services	8,666,561	8,734,204	9,212,829	9,489,055	9,084,238
General and business administrative services	774,726	831,224	1,027,734	816,237	942,384
School Administrative Services	2,987,848	2,849,379	2,900,795	2,890,028	2,678,267
Central Services	532,865	543,142	497,940	383,421	496,441
Administrative Technology Information	90,590	122,140	134,255	96,434	98,156
Plant operations and maintenance	4,554,978	4,219,230	3,735,167	3,695,276	3,682,318
Pupil transportation	2,413,206	2,439,674	2,370,975	2,895,539	3,203,145
Business and other support services	28,505	57,986	32,076	7,688	17,999
Interest on long-term debt	656,078	617,370	583,020	546,370	515,978
Unallocated depreciation	1,125,868	1,124,519	1,125,943	1,125,653	1,127,301
Capital Outlay					
Total governmental activities expenses	<u>51,205,975</u>	<u>50,500,685</u>	<u>51,515,910</u>	<u>50,791,639</u>	<u>50,707,588</u>
Business-type activities:					
Food service	600,531	406,302	315,149	597,302	652,896
Enrichment Program	254,929	255,675	184,123		
Total business-type activities expense	<u>855,460</u>	<u>661,977</u>	<u>499,272</u>	<u>597,302</u>	<u>652,896</u>
Total district expenses	<u>\$ 52,061,435</u>	<u>\$ 51,162,662</u>	<u>\$ 52,015,182</u>	<u>\$ 51,388,941</u>	<u>\$ 51,360,484</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)	\$ 114,297	\$ 5,870	\$ 9,900	\$ 20,700	\$ 15,300
Student & Instruction Related Services			144,912	384,880	444,952
Operating grants and contributions	13,597,932	11,788,986	13,529,248	11,981,020	10,418,018
Capital grants and contributions				330,467	156,360
Total governmental activities program revenues	<u>13,712,229</u>	<u>11,794,856</u>	<u>13,684,060</u>	<u>12,717,067</u>	<u>11,034,630</u>
Business-type activities:					
Charges for services:					
Food service	501,694	321,824	52,339	146,603	507,444
Enrichment Program	259,342	198,446			
Operating grants and contributions	84,349	68,977	247,646	653,729	175,050
Total business type activities program revenues	<u>845,385</u>	<u>589,247</u>	<u>299,985</u>	<u>800,332</u>	<u>682,494</u>
Total district program revenues	<u>\$ 14,557,614</u>	<u>\$ 12,384,103</u>	<u>\$ 13,984,045</u>	<u>\$ 13,517,399</u>	<u>\$ 11,717,124</u>
Net (Expense)/Revenue					
Governmental activities	\$ (37,493,746)	\$ (38,705,829)	\$ (37,831,850)	\$ (38,074,572)	\$ (39,672,958)
Business-type activities	(10,075)	(72,730)	(199,287)	203,030	29,598
Total district-wide net expense	<u>\$ (37,503,821)</u>	<u>\$ (38,778,559)</u>	<u>\$ (38,031,137)</u>	<u>\$ (37,871,542)</u>	<u>\$ (39,643,360)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 36,123,368	\$ 36,845,835	\$ 37,582,751	\$ 38,334,406	\$ 39,101,094
Taxes levied for debt service	1,596,669	1,588,733	1,557,780	1,513,542	1,499,556
Federal and State Aid Not Restricted	2,854				
Miscellaneous income	161,041	143,088	175,387	244,754	115,240
Transfers			(64,020)		
Total governmental activities	<u>37,883,932</u>	<u>38,577,656</u>	<u>39,251,898</u>	<u>40,092,702</u>	<u>40,715,890</u>
Business-type activities:					
Miscellaneous income	677	698	195	123	124
Transfers			64,020		
Other Item - Disposal of Capital Assets		(929)			
Total business-type activities	<u>677</u>	<u>(231)</u>	<u>64,215</u>	<u>123</u>	<u>124</u>
Total district-wide	<u>\$ 37,884,609</u>	<u>\$ 38,577,425</u>	<u>\$ 39,316,113</u>	<u>\$ 40,092,825</u>	<u>\$ 40,716,014</u>
Change in Net Position					
Governmental activities	\$ 390,186	\$ (128,173)	\$ 1,420,048	\$ 2,018,130	\$ 1,042,932
Business-type activities	(9,398)	(72,961)	(135,072)	203,153	29,722
Total district	<u>\$ 380,788</u>	<u>\$ (201,134)</u>	<u>\$ 1,284,976</u>	<u>\$ 2,221,283</u>	<u>\$ 1,072,654</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,				
	2014	2015	2016	2017	2018
General Fund					
Restricted	\$ 861,139	\$ 838,771	\$ 1,119,539	\$ 1,295,938	\$ 2,153,249
Assigned	1,015,955	381,921	345,991	1,274,345	825,275
Unassigned	729,668	874,892	1,063,156	874,693	830,032
Total general fund	<u>\$ 2,606,762</u>	<u>\$ 2,095,584</u>	<u>\$ 2,528,686</u>	<u>\$ 3,444,976</u>	<u>\$ 3,808,556</u>

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

	June 30,				
	2019	2020	2021	2022	2023
General Fund					
Restricted	\$ 2,263,871	\$ 2,509,784	\$ 3,361,820	\$ 3,795,616	\$ 4,116,064
Assigned	546,989	897,944	467,071	1,353,205	2,164,232
Unassigned	1,247,440	1,057,913	2,224,566	2,050,239	864,496
Total general fund	<u>\$ 4,058,300</u>	<u>\$ 4,465,641</u>	<u>\$ 6,053,457</u>	<u>\$ 7,199,060</u>	<u>\$ 7,144,792</u>

All Other Governmental Funds					
Restricted:					
Special revenue fund		\$ 386,154	\$ 361,531	\$ 356,584	\$ 381,038
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ 386,154</u>	<u>\$ 361,531</u>	<u>\$ 356,584</u>	<u>\$ 381,038</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,				
	2014	2015	2016	2017	2018
Revenues					
Tax levy	\$ 34,264,746	\$ 34,673,171	\$ 35,513,410	\$ 36,514,352	\$ 37,515,615
Tuition charges	155,734	111,993	95,199	101,563	65,469
Interest earnings	6,464	6,236	6,018	6,736	7,904
Miscellaneous	152,904	207,760	288,263	197,387	204,229
State sources	4,820,383	5,507,282	6,140,022	6,705,409	7,659,241
Federal sources	443,904	454,861	475,304	470,153	465,236
Total revenue	<u>39,844,135</u>	<u>40,961,303</u>	<u>42,518,216</u>	<u>43,995,600</u>	<u>45,917,694</u>
Expenditures					
Instruction:					
Regular Instruction	11,497,005	11,754,488	11,781,223	11,008,684	11,829,750
Special education instruction	2,809,534	3,190,740	3,257,194	3,386,697	3,445,237
Other special instruction	353,665	459,367	389,775	433,162	489,767
Other instruction	734,929	961,881	952,371	997,571	953,095
Support Services:					
Tuition	1,608,863	1,623,288	1,607,359	1,700,591	1,653,250
Student & instruction related services	4,072,920	4,428,572	4,510,091	4,610,211	5,243,466
General administrative services	433,503	448,983	497,199	538,561	573,271
School Administrative services	1,569,588	1,517,683	1,645,247	1,670,744	1,757,041
Central Services	430,680	410,985	390,213	394,107	397,151
Administrative Information Technology	77,780	118,359	81,520	81,520	97,240
Plant operations and maintenance	3,140,976	3,003,338	2,759,399	2,885,178	3,013,419
Pupil transportation	1,870,391	1,870,297	1,988,640	2,071,907	2,167,212
Unallocated Benefits	8,294,708	8,689,244	9,611,081	10,674,285	11,044,224
Capital outlay	158,884	732,566	694,200	439,211	723,810
Debt service:					
Principal	1,310,000	1,355,000	1,380,000	1,375,000	1,410,000
Interest and other charges	951,179	907,853	813,339	811,881	756,181
Total expenditures	<u>39,314,605</u>	<u>41,472,644</u>	<u>42,358,851</u>	<u>43,079,310</u>	<u>45,554,114</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>529,530</u>	<u>(511,341)</u>	<u>159,365</u>	<u>916,290</u>	<u>363,580</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	183	300,263			
Transfers out		(300,100)			
Total other financing sources (uses)	<u>183</u>	<u>163</u>	<u>273,737</u>		
Net change in fund balances	<u>\$ 529,713</u>	<u>\$ (511,178)</u>	<u>\$ 433,102</u>	<u>\$ 916,290</u>	<u>\$ 363,580</u>
Debt service as a percentage of noncapital expenditures	6.129%	5.881%	5.557%	5.406%	4.783%

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,				
	2019	2020	2021	2022	2023
Revenues					
Tax levy	\$ 37,720,037	\$ 38,434,568	\$ 39,140,531	\$ 39,847,948	\$ 40,600,650
Tuition charges	114,297	5,870	9,900	20,700	15,300
Interest earnings	7,665	8,098	9,795	9,732	10,056
Miscellaneous	253,242	177,544	436,844	678,545	637,488
State sources	8,798,781	9,127,775	11,225,135	13,360,650	13,425,118
Federal sources	467,771	415,899	587,744	690,439	817,410
Total revenue	<u>47,361,793</u>	<u>48,169,754</u>	<u>51,409,949</u>	<u>54,608,014</u>	<u>55,506,022</u>
Expenditures					
Instruction:					
Regular Instruction	11,635,859	11,691,532	11,420,149	11,941,302	12,596,858
Special education instruction	3,588,687	3,936,521	3,856,544	3,984,024	4,239,350
Other special instruction	469,986	485,193	462,358	481,143	481,445
Other instruction	970,274	983,602	809,315	1,028,008	1,068,884
Support Services:					
Tuition	2,096,440	2,037,471	1,960,980	1,901,665	1,807,908
Student & instruction related services	5,394,880	5,670,018	6,129,973	6,622,661	6,652,268
General administrative services	581,108	669,129	829,472	647,138	737,155
School Administrative services	1,779,306	1,807,153	1,755,074	1,915,917	1,833,027
Central Services	402,750	420,224	407,324	429,804	505,760
Administrative Information Technology	92,154	90,819	96,088	101,879	112,744
Plant operations and maintenance	3,347,197	3,315,839	3,096,603	3,289,804	3,497,314
Pupil transportation	2,339,582	2,303,036	2,192,326	2,697,391	3,013,126
Unallocated Benefits	11,991,779	12,398,951	14,472,531	16,125,909	16,504,121
Charter Schools	28,505	57,986	32,076	7,688	17,999
Capital outlay	729,361	387,525	635,441	710,844	895,361
Debt service:					
Principal	955,000	985,000	995,000	985,000	1,005,000
Interest and other charges	709,181	670,581	631,482	597,181	567,516
Total expenditures	<u>47,112,049</u>	<u>47,910,580</u>	<u>49,782,736</u>	<u>53,467,358</u>	<u>55,535,836</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>249,744</u>	<u>259,174</u>	<u>1,627,213</u>	<u>1,140,656</u>	<u>(29,814)</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>\$ 249,744</u>	<u>\$ 259,174</u>	<u>\$ 1,563,193</u>	<u>\$ 1,140,656</u>	<u>\$ (29,814)</u>
Debt service as a percentage of noncapital expenditures					
	3.534%	3.458%	3.274%	2.962%	2.847%

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>
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
2023	10,056	15,300		105,184	130,540

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)
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
2022	24,194,400	1,962,410,300	9,777,600	31,500	79,926,100	30,125,000	2,106,464,900	2,106,464,900	1.910	2,165,240,607

*-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	
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
2022	1.839	0.071	1.910	0.572	0.265	2.747

* - 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
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2022			2013		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Kinnelon Ridge Developers, LLC	\$ 29,300,000	1	1.39%			
UB Kinnelon I, LCC	15,750,000	2	0.75%			
Kin-Mall Properties LLC % Entin	13,000,000	3	0.62%			
Kinnelon Route 23 LLC	3,900,000	4	0.19%			
Inland Western Butler Kinnelon, LLC	3,950,000	5	0.19%			
Individual Tax Payer	3,190,000	6	0.15%			
1167 RT 23 AutoMall LLC	3,175,000	7	0.15%			
Gamma Realty Company	2,900,000	8	0.14%			
Joy Ho Family Trust LLC	2,731,000	9	0.13%			
WTW Properties, LLC	2,650,000	10	0.13%			
Total	\$ 80,546,000		3.81%			N/A Information is Not Available

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Percentage of Levy	Collections in Subsequent Years
		Amount	Amount		
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-
2023	40,600,650	40,600,650		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	Anticipation Notes (BANs)	Financed Purchases	Total District	Income ^a	Per Capita ^a
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	1.21%	1,305
2023	12,025,000	-0-	-0-	-0-	-0-	-0-	12,025,000	1.12%	1,204

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	1,305
2023	12,025,000	-0-	12,025,000	0.571%	1,204

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, 2022
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 13,331,642	100.00%	\$ 13,331,642
Morris County General Obligation Debt	253,387,954	2.14%	<u>5,431,476</u>
Subtotal, overlapping debt			18,763,118
Kinnelon School District Direct Debt			<u>12,085,000</u>
Total direct and overlapping debt			<u><u>\$ 30,848,118</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,				
	2014	2015	2016	2017	2018
Debt limit	\$ 84,927,221	\$ 83,648,814	\$ 83,540,821	\$ 84,732,226	\$ 85,004,512
Total net debt applicable to limit	23,714,000	21,115,000	19,735,000	18,360,000	16,950,000
Legal debt margin	<u>\$ 61,213,221</u>	<u>\$ 62,533,814</u>	<u>\$ 63,805,821</u>	<u>\$ 66,372,226</u>	<u>\$ 68,054,512</u>
Total net debt applicable to the limit as a percentage of debt limit	27.92%	25.24%	23.62%	21.67%	19.94%

	Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Debt limit	\$ 85,678,672	\$ 85,982,850	\$ 85,703,352	\$ 85,712,574	\$ 87,037,767
Total net debt applicable to limit	15,995,000	15,010,000	14,015,000	13,030,000	12,025,000
Legal debt margin	<u>\$ 69,683,672</u>	<u>\$ 70,972,850</u>	<u>\$ 71,688,352</u>	<u>\$ 72,682,574</u>	<u>\$ 75,012,767</u>
Total net debt applicable to the limit as a percentage of debt limit	18.67%	17.46%	16.35%	15.20%	13.82%

Legal Debt Margin Calculation for Fiscal Year 2023

Year Ended December 31,	Equalized Valuation Basis
2020	\$2,116,278,051
2021	2,160,576,844
2022	2,250,977,666
	<u>\$6,527,832,561</u>
Average equalized valuation of taxable property	\$2,175,944,187
Debt limit (4% of average equalization value)	87,037,767 ^a
Net bonded school debt	12,025,000
Legal debt margin	<u>\$ 75,012,767</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
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	1,073,898,155	107,767	4.80%
2022	9,985	1,076,053,495 *	107,767 *	3.20%
2023	9,985 **	1,076,053,495 **	107,767 **	N/A

* - Latest Morris County per capita personal income available (2021) was used for calculation purposes.

** - Latest Morris County per capita personal income (2021) and population data (2022) 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

	2022		2013		
	Employer	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Atlantic Health System		10,552	4.05%	6,200	2.41%
Novartis		6,500	2.49%	5,841	2.27%
Picatinny Arsenal		6,000	2.30%	5,576	2.17%
Barclays		3,374	1.29%	1,947	0.76%
Bayer Healthcare, LLC		2,713	1.04%	1,838	0.72%
ADP		2,400	0.92%	1,546	0.60%
Accenture		2,344	0.90%	1,500	0.58%
Pricewaterhouse Coopers		2,095	0.80%	1,498	0.58%
Cigna		1,686	0.65%	1,440	0.56%
Deloitte & Touche		1,646	0.63%	1,336	0.52%
		<u>39,310</u>	<u>15.09%</u>	<u>28,722</u>	<u>11.17%</u>
Total Employment *		<u>260,558</u>		<u>257,024</u>	

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

Source: Morris County Chamber of Commerce.

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

<u>Function/Program</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>	<u>2023</u>
Instruction										
Regular	137.30	134.00	126.00	127.00	126.00	128.00	127.00	128.86	129.80	130.50
Special education	51.40	55.50	75.00	76.00	78.00	83.50	85.00	90.00	95.50	97.20
Support Services:										
Student & instruction related services	43.90	46.00	42.70	43.50	45.00	44.00	46.00	46.00	46.00	45.50
School administrative services	12.50	14.50	15.50	15.50	15.50	17.70	16.50	16.50	16.50	16.50
General and business administrative services	3.90	4.00	6.00	6.00	6.00	4.00	3.00	3.00	3.00	3.00
Plant operations and maintenance	30.40	24.00	25.00	23.00	22.00	28.00	27.00	27.50	28.00	28.50
Business and other support services	4.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Pupil transportation	8.00	11.50	10.00	10.00	10.50	10.00	11.00	10.75	10.50	9.80
Total	292.00	291.50	302.20	303.00	305.00	317.20	317.50	324.61	331.30	333.00

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	Percentage Change	Teaching Staff	Pupil/Teacher Ratio						Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kiel Elementary	Stony Brook Elementary	Pearl R. Miller		Kinnelon High School					
								Middle School	High School						
2014	2,103	\$ 36,894,542	\$ 17,729	1.14%	190.20	1:12	1:14	1:11	1:12	1:12	2,081	1,974	-1.701%	94.86%	
2015	2,019	38,477,225	19,152	8.03%	189.50	1:12	1:14	1:11	1:12	1:12	2,009	1,930	-3.460%	96.07%	
2016	1,992	39,471,312	20,211	5.53%	201.00	1:12	1:14	1:11	1:12	1:12	1,953	1,888	-2.787%	96.67%	
2017	1,953	40,453,218	21,135	4.58%	203.00	1:12	1:14	1:11	1:10	1:10	1,914	1,835	-1.997%	95.87%	
2018	1,961	42,664,123	22,586	6.86%	204.00	1:12	1:14	1:12	1:11	1:11	1,889	1,795	-1.306%	95.02%	
2019	1,804	44,718,507	24,317	7.67%	211.50	1:12	1:14	1:12	1:11	1:11	1,839	1,755	-2.647%	95.43%	
2020	1,742	45,867,474	26,452	8.78%	212.00	1:12	1:14	1:12	1:11	1:11	1,734	1,653	-5.710%	95.33%	
2021	1,670	47,520,813	28,593	8.09%	214.00	1:12	1:14	1:12	1:11	1:11	1,662	1,583	-4.152%	95.25%	
2022	1,660	51,174,333	32,888	15.02%	215.00	1:12	1:14	1:12	1:11	1:11	1,556	1,552	-10.265%	99.74%	
2023	1,643	53,067,959	32,798	-0.27%	227.00	1:12	1:14	1:12	1:11	1:11	1,618	1,614	-2.647%	99.75%	

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>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	310	315	308	315	305	294	258	269	285	300
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	558	498	480	472	458	431	396	409	406	410
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	514	508	493	500	471	454	424	430	409	393
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	699	688	672	685	655	625	569	562	560	540
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, 2023

 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	
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				
2023	61,147	61,128	3,996	71,626	186,531	8,195	392,623				

* 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, 2023
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Package - National Union Fire Insurance of Pittsburgh, PA		
Property	\$ 118,448,874	\$ 5,000
Comprehensive General Liability	1,000,000	N/A
Comprehensive Automotive Liability	1,000,000	N/A
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)	600,000	
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	1,000
Employment Practices	1,000,000	35,000
Cyber Liability		
Indian Harbor Insurance Company		
Privacy & Cyber Security, Privacy Regulatory Defense	1,000,000	10,000
Business Interest & Extra Expense, Data Breach	1,000,000	
Surety Bonds		
The Hartford Insurance Group		
Treasurer of School Monies	250,000	N/A
Board Secretary/Business Administrator	250,000	N/A

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, 2023, 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 4, 2023.

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

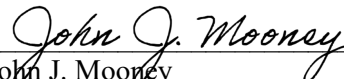
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 4, 2023
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

Opinion on 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, 2023. 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, 2023.

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
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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
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Kinnelon Borough School District
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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 4, 2023
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, 2023

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2022		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Balance 6/30/2023		Amounts Provided to Subrecipients
					Budgetary Revenue (Accounts Receivable)	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Education - Passed-through Special Education Cluster:												
IDE.A. Preschool	84.173	IDEA-2460-23	7/1/22-9/30/23	\$ 18,132		\$ 18,132	\$ (18,132)					
IDE.A. Part B, Basic	84.027	IDEA-2460-23	7/1/22-9/30/23	373,938		355,174	(355,174)					
IDE.A. Part B, Basic COVID-19 ARP:	84.027	IDEA-2460-22	7/1/21-9/30/22	366,645					\$ 2,800		\$ 2,800	
IDE.A. Preschool - ARP	84.173X	IDEA-2460-22	7/1/21-9/30/22	6,056	\$ (182)	4,094	(3,912)					
IDE.A. Part B, Basic - ARP	84.027X	IDEA-2460-22	7/1/21-9/30/22	70,939	(67,002)	70,938	(3,936)					
Total Special Education Cluster					(67,184)	448,338	(381,154)		2,800		2,800	
Elementary and Secondary Education Act:												
Title I	84.010A	ESEA-2460-23	7/1/22-9/30/23	66,285	(313)	9,535	(29,085)			\$ (19,550)		
Title I Subtotal Title I	84.010A	ESEA-2460-22	7/1/21-9/30/22	41,488	(313)	313	(29,085)			(19,550)		20,647
Title II	84.367A	ESEA-2460-23	7/1/22-9/30/23	49,018		31,971	(34,324)			(2,353)		920
Title II Subtotal Title II	84.367A	ESEA-2460-22	7/1/21-9/30/22	32,917		5,070	(4,150)			(2,353)		920
Education Stabilization Fund:												
COVID-19 ARP Consolidated:												
ESSER III Accelerated Learning Coaching and Educator Support	84.425U	S425U210027	3/13/20-9/30/24	259,045	(5,485)	190,606	(236,465)			(51,344)		
Evidence-Based Summer Learning and Enrichment Activities	84.425U	S425U210027	3/13/20-9/30/24	131,091	(4,015)	8,210	(52,045)			(47,850)		
Evidence-Based Comprehensive Beyond the School Day Activities	84.425U	S425U210027	3/13/20-9/30/24	40,000		5,528	(5,528)					
NTSS Mental Health Support Staffing	84.425U	S425U210027	3/13/20-9/30/24	45,000		3,861	(3,861)					
COVID-19 CRRSA:												
Learning Acceleration	84.425D	S425D210027	3/13/20-9/30/23	25,000		25,000	(25,000)					
Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000	(26,860)	10,715	(6,600)		\$ 10	(22,735)		
COVID-19 Digital Divide Grant (Nonpublic)	84.425D	N/A	7/16/20-10/31/20	653	(612)		(612)			(612)		
Total Education Stabilization Fund					(36,972)	288,920	(374,499)		10	(122,541)		
Total U.S. Department of Education					(104,469)	779,077	(823,212)		2,810	(144,444)		24,367
Total Special Revenue Fund					(104,469)	779,077	(823,212)		2,810	(144,444)		24,367

N/A - Not Applicable/Not Available

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Grantor / Program Title / Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2022		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Balance 6/30/2023		Amounts Provided to Subrecipients
					Budgetary Unearned Revenue (Accounts Receivable)	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Agriculture - Passed-through												
State Department of Agriculture:												
Child Nutrition Cluster:												
Federal Food Distribution Program	10.555	N/A	7/1/22-6/30/24	\$ 42,283		\$ 42,283	\$ (40,577)				\$ 1,706	
Federal Food Distribution Program	10.555	N/A	7/1/21-6/30/23	36,096	\$ 4,064	42,283	(4,064)				1,706	
Subtotal Federal Food Distribution Program					4,064	42,283	(4,064)				1,706	
National School Lunch Program	10.555	N/A	7/1/22-6/30/23	86,829		81,208	(86,829)			\$ (5,621)		
National School Lunch Program:												
COVID-19 Seamless Summer Option	10.555	N/A	7/1/21-6/30/22	597,618	(44,274)	44,274	(38,441)				44,237	
COVID-19 - Supply Chain Assistance Awar	10.555	N/A	7/1/22-6/30/24	82,678	(44,274)	208,160	(125,270)			(5,621)	44,237	
Subtotal National School Lunch Program					(44,274)	250,443	(169,911)			(5,621)	45,943	
Total Child Nutrition Cluster					(40,210)	250,443	(169,911)			(5,621)	45,943	
Total U.S. Department of Agriculture					(144,679)	\$ 1,029,520	\$ (993,123)		\$ 2,810	\$ (150,065)	\$ 45,943	
TOTAL FEDERAL AWARDS					\$ 25,717	\$ 1,029,520	\$ (993,123)		\$ 2,810	\$ (150,065)	\$ 45,943	\$ -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, 2023

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2022		Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2023		MEMO	
				Budgetary Unearned Revenue/(Accounts Receivable)	Award Amount					GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Special Education Categorical Aid	23-495-034-5120-089	7/1/22-6/30/23	\$ 1,669,372	\$ 1,506,389	\$ (1,669,372)		\$ 1,506,389	\$ (1,669,372)		\$ (1,669,372)	\$ 1,669,372		
Special Education Categorical Aid	22-495-034-5120-089	7/1/21-6/30/22	1,572,117	152,998	(152,998)		152,998				1,572,117		
Security Aid	23-495-034-5120-084	7/1/22-6/30/23	164,769	148,683	(16,035)		148,683	(164,769)		(16,086)	164,769		
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	164,769	16,035	(16,035)		16,035				164,769		
Transportation Aid	23-495-034-5120-014	7/1/22-6/30/23	617,484	557,198	(41,888)		557,198	(617,484)		(60,286)	617,484		
Transportation Aid	22-495-034-5120-014	7/1/21-6/30/22	430,416	41,888	(41,888)		41,888				430,416		
Extraordinary Special Education Costs Aid	23-100-034-5120-044	7/1/22-6/30/23	969,226	1,249,011	(1,249,011)		1,249,011	(969,226)		(969,226)	969,226		
Extraordinary Special Education Costs Aid	22-100-034-5120-044	7/1/21-6/30/22	1,249,011								1,249,011		
Nonpublic School Transportation Costs	23-495-034-5120-014	7/1/22-6/30/23	30,264	23,200	(23,200)		23,200	(30,264)		(30,264)	30,264		
Nonpublic School Transportation Costs	22-495-034-5120-014	7/1/21-6/30/22	23,200								23,200		
State Reimbursement for Lead Testing of Drinking Water	22-495-034-5120-104	7/1/21-6/30/22	9,442	9,442			9,442	(9,442)					9,442
Reimbursed TPAF Contributions:													
Social Security Aid	23-495-034-5094-003	7/1/22-6/30/23	1,404,603	1,404,603	(67,730)		1,404,603	(1,404,603)			1,404,603		
Social Security Aid	22-495-034-5094-003	7/1/21-6/30/22	1,360,962	67,730	(67,730)		67,730				1,360,962		
On-Behalf TPAF Contributions:													
Pension	23-495-034-5094-001	7/1/22-6/30/23	6,615,884	6,615,884			6,615,884	(6,615,884)			6,615,884		
Post-Retirement Medical	23-495-034-5094-002	7/1/22-6/30/23	1,762,089	1,762,089			1,762,089	(1,762,089)			1,762,089		
Non-Contributory Insurance	23-495-034-5094-004	7/1/22-6/30/23	91,788	91,788			91,788	(91,788)			91,788		
Long-Term Disability Insurance	23-495-034-5094-004	7/1/22-6/30/23	1,586	1,586			1,586	(1,586)			1,586		
Total General Fund				13,648,524	(13,336,507)		13,648,524	(13,336,507)		(999,490)	18,136,982		
Debt Service Fund:													
Debt Service Aid State Support	23-495-034-5120-017	7/1/22-6/30/23	72,960	72,960			72,960	(72,960)			72,960		
Total Debt Service Fund				72,960			72,960	(72,960)			72,960		
Special Revenue Fund:													
NJ Nonpublic Aid:													
Technology Initiative	23-100-034-5120-064	7/1/22-6/30/23	378	378			378	(378)			378		
Textbook Aid (Chapter 194)	23-100-034-5120-064	7/1/22-6/30/23	594	594			594	(594)			594		
Security Aid	23-100-034-5120-509	7/1/22-6/30/23	1,845	1,845			1,845	(1,845)			1,845		
Nursing Services (Chapter 226)	23-100-034-5120-070	7/1/22-6/30/23	1,008	1,008			1,008	(1,008)			1,008		
Nursing Services (Chapter 226)	22-100-034-5120-070	7/1/21-6/30/22	1,456						\$ (418)				1,038
Subtotal Special Revenue Fund				3,825	(418)		3,825	(3,825)			4,863		

N/A - Not Applicable/Not Available

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2022		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2023		MEMO	
				Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
New Jersey Schools Development Authority:												
Special Revenue Fund:												
Schools Development Authority - Emergent and Capital Maintenance Needs Grant	N/A	7/1/22-6/30/23	\$ 40,260			\$ 40,260	\$ (40,260)					\$ 40,260
Subtotal Special Revenue Fund						40,260	(40,260)					40,260
Total New Jersey Schools Development Authority												
Total Special Revenue Fund				\$ 418		44,085	(44,085)	\$ (418)				45,123
Enterprise Fund:												
State School Lunch Program	23-100-010-3350-023	7/1/22-6/30/23	5,139			4,813	(5,139)		\$ (326)		\$ (326)	5,139
State School Lunch Program - COVID-19 Seamless Summer Option	22-100-010-3350-023	7/1/21-6/30/22	14,042	\$ (1,019)		1,019						14,042
Total Enterprise Fund				(1,019)		5,832	(5,139)		(326)		(326)	19,181
Total NJ Department of Education				(1,551,881)	418	13,731,141	(13,418,431)	(418)	(999,816)		(1,239,171)	18,233,986
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION				\$ (1,551,881)	\$ 418	\$13,771,401	\$ (13,458,691)	\$ (418)	\$ (999,816)	\$ -0-	\$ (1,239,171)	\$ 18,274,246
Less - State Awards Not Subject to Single Audit Major Program Determination:												
On-Behalf TPAF Contributions:												
Pension	23-495-034-5094-001	7/1/22-6/30/23	6,615,884				6,615,884					
Post-Retirement Medical	23-495-034-5094-002	7/1/22-6/30/23	1,762,089				1,762,089					
Non-Contributory Insurance	23-495-034-5094-004	7/1/22-6/30/23	91,788				91,788					
Long-Term Disability Insurance	23-495-034-5094-004	7/1/22-6/30/23	1,586				1,586					
Subtotal On-Behalf TPAF Pension System Contributions							8,471,347					
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION												\$ (4,987,344)

N/A - Not Applicable/Not Available

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$28,434) for the general fund and \$(6,973) \$(1,171) local grants and \$(5,802) 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		\$ 13,308,073	\$ 13,308,073
Special Revenue Fund	\$ 817,410	44,085	861,495
Debt Service Fund		72,960	72,960
Enterprise Fund	169,911	5,139	175,050
Total Financial Awards	<u>\$ 987,321</u>	<u>\$ 13,430,257</u>	<u>\$ 14,417,578</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, 2023.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over 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>				
Extraordinary Special Education Costs Aid	23-495-034-5120-044	7/1/22-6/30/23	\$ 969,226	\$ 969,226
Reimbursed TPAF Contributions:				
Social Security Aid	23-495-034-5094-003	7/1/22-6/30/23	1,404,603	1,404,603
<u>Federal:</u>				
Child Nutrition Cluster:				
Federal Food Distribution Program	10.555	7/1/22-6/30/24	42,283	40,577
Federal Food Distribution Program	10.555	7/1/21-6/30/23	36,096	4,064
National School Lunch Program	10.555	7/1/22-6/30/23	86,829	86,829
COVID-19 Supply Chain Assistance Award	10.555	7/1/22-6/30/24	82,678	38,441
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	7/1/22-9/30/23	373,938	355,174
I.D.E.A. Preschool	84.173	7/1/22-9/30/23	18,132	18,132
I.D.E.A. Part B, Basic - COVID-19 ARP	84.173X	7/1/21-9/30/22	6,056	3,912
I.D.E.A. Preschool - COVID-19 ARP	84.027X	7/1/21-9/30/22	70,939	3,936

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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 not 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, 2023

Status of Prior Year Findings:

The District had no prior year audit findings.