

KEARNY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Kearny, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Kearny Board of Education

Kearny, New Jersey

For The Fiscal Year Ended June 30, 2015

Prepared by

Business Office

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INTRODUCTORY SECTION

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MICHAEL DE VITA
BUSINESS ADMINISTRATOR/
BOARD SECRETARY

November 20, 2015

*Honorable President and
Members of the Board of Education
Kearny School District
County of Hudson, New Jersey*

Dear Board Members:

The comprehensive annual financial report of the Kearny School District for the fiscal year ended June 30, 2015, 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 Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections; introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

- (1) REPORTING ENTITY AND ITS SERVICES: *Kearny School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. All funds of the District are included in this report. The Kearny Board of Education and all its schools constitute the District's reporting entity.*

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2014-2015 fiscal year with an enrollment of 5,901 students, which is 36 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the past ten years:

<u>Fiscal Year</u>	<u>School Enrollment</u>	<u>Percent Change Increase (Decrease)</u>
2014-15	5,901	(0.60%)
2013-14	5,937	0.99%
2012-13	5,879	(2.79%)
2011-12	6,048	3.74%
2010-11	5,830	1.50%
2009-10	5,744	(0.52%)
2008-09	5,774	3.48%
2007-08	5,580	2.5%
2006-07	5,442	1.13%
2005-06	5,381	0.067%
2004-05	5,345	(0.89%)
2003-04	5,393	1.01%
2002-03	5,332	1.83%

- (2) ECONOMIC CONDITION AND OUTLOOK:

The Taxpayers' Guide to Education Spending for K-12 districts was released by the New Jersey Department of Education (DOE) in July of 2015. It was revealed that the Kearny School District's budgeted comparative spending for the 2014/15 school year was \$12,581 per pupil. Out of the 103 school districts with more than 3,500 students, Kearny ranked 10th (low cost to high cost) in budgeted 2014/15 per pupil spending. The budgeted New Jersey State average for 2014/2015 was \$15,067.

The District Factor Grouping (DFG) for Kearny is "B". This reflects the diminished socioeconomic indicator of the community-at-large. Every effort has been initiated by the District to effectuate maximum state aid for the 2014/15 school year. In addition to a host of entitlement grants, the District has also applied for and been approved to implement competitive State grants such as the School-Based Youth Services Program.

(3)

MAJOR INITIATIVES:

○ DISTRICT WIDE

- *The Genesis Parent Portal was fully implemented during the 2014-15 school year providing access to all parents.*
- *The district continued its curriculum rewriting and revision in conjunction with the Hudson County Curriculum Consortium. All district curricula is now easily accessible to all administrators and teachers on the district's website.*
- *The continuation of Professional Learning Communities was used in the development of school improvement initiatives and provided teachers the opportunity to collaborate within their subjects areas and across grade levels. In addition, PLC's provided the opportunity for both horizontal and vertical articulation among all district teachers.*
- *Educational technology workshops continued to provide teachers in all grade levels technology training for District Technology resources such as Smart Boards, projectors, document cameras, educational software, mobile laptop labs, etc.*

○ ELEMENTARY & MIDDLE SCHOOL

- *Early Childhood Family After School Programs continued in all schools in an effort to assist parents in providing literacy and math skills and concepts for their children at home in order to support what occurs in the Early Childhood classroom.*
- *Pre-K and Kindergarten teachers continued their implementation of the Teaching Strategies GOLD Portfolio Assessment System in anticipation of the district's participation in the NJKEA for the 2015-16 school year. Teachers were each given an iPad and provided training in order to utilize the GOLD App where teachers can easily record audio, video and notes on student observational data. All district Kindergarten teachers attended the NJKEA training in June.*
- *Selected Kindergarten teachers attended the NJDOE Division of Early Childhood Kindergarten Seminar in order to learn best practices.*
- *The district Behaviorist has worked with select Special Education aides to increase their knowledge of Applied Behavioral Analysis and Discrete Trial teaching techniques. For the 2015-16 school year, the district will be implementing the ReThink program for many of our behavioral students as well as those that have been diagnosed with autism spectrum disorder. The ReThink program provides the aide with the tools needed to correctly implement techniques with students.*
- *Selected Special Education aides were provided with continued professional development in order to increase their knowledge of Applied Behavioral Analysis (ABA).*

- *Teachers were provided with continued professional development in grades K-5 in Guided Reading and small-group instruction.*
- *The district implemented the STAR (Skills to Achieve Reading) after school program district-wide in grades K-5. The focus of the program was to provide students with multi-sensory Orton Gillingham instruction in order to improve reading skills. Students were assessed and grouped appropriately at the start of the program. A post-test was also administered at the conclusion of the program in order to analyze student growth and gains.*
- *The district continued to implement the Edmentum Plato Courseware Benchmarks in English Language Arts, Mathematics, Social Studies and Science in grades 2-12. Teachers were able to generate reports and analyze student results in order to modify instruction. Teachers also had the ability to prescribe activities to students based on results for remediation purposes.*
- *A district-wide subscription of Scholastic News was provided to grades 1-5.*
- *The district continued its implementation of Achieve 3000, an online reading program used to identify student reading levels and improve reading comprehension skills, for use in grades 3 through 8. Professional development was continued for staff. School-based goals were generated by building principals and central office staff for the 2015-16 school year that included improving student Lexile levels through increased usage of the program.*
- *Grade One and Two teachers continued their implementation of the Fountas & Pinnell Benchmark Assessment. iPads for teachers were budgeted for the 2015-16 school year where they can utilize the Fountas & Pinnell app in order to facilitate the assessment of students.*
- *The district continued its initiative to level all classroom libraries in grades K-5 using the Fountas & Pinnell and Lexile systems. A book drive was held at the High School where students had the opportunity to donate used and new books to the elementary.*
- *Several assemblies were held for students that supported literacy, including The Musical Adventures of Flat Stanley and writers such as Kevin Fox (Law & Order SVU).*
- *The district continued its implementation of the Fountas & Pinnell benchmarking system in grades 1 and 2 to assess student reading levels in order to drive instruction.*
- *Teachers attended a series of Literacy Workshops held at Kean University. Useful strategies and activities were shared with staff.*
- *The district implemented the Being a Writer Writing Program by the Center for the Collaborative Classroom in grades K-5. The program follows a Writer's Workshop model while also emphasizing the development of Social Emotional learning. Teachers received ongoing professional development throughout the school year which included the modeling of lessons and group collaboration and sharing.*

- *As the district continues its transition from a basal-based English Language Arts program to an improved Balanced Literacy Framework, the Orton Gillingham approach was implemented in grades K-2. This multi-sensory approach to the teaching of phonics ensures that the district's population of struggling readers would be appropriately assisted.*
- *Continued modification of district schedules took place in order to provide grade level and subject area teachers with common planning time. Instructional periods were increased. Computer Literacy instruction was expanded to include grades K-6.*
- *The continuation of World Language offerings for students in grade K-8 took place. As a result of ongoing vertical articulation between middle school and high school teachers, fifteen grade 8 students qualified to enroll in Level 2 French at the high school for the 2015-16 school year based on end of year assessment results.*
- *A new Mathematics program was implemented in grades 6-8 based on a district-wide pilot that took place the year prior. The program, Ron Larson's Big Ideas, is Common Core State Standards aligned and engages students in higher order thinking. The program utilizes a research-based, balanced instructional approach that includes both discovery learning and direct instruction lessons.*
- *The English Language Arts program Collections by Houghton Mifflin Harcourt was implemented in grades 6-8. The program is aligned to the Common Core State Standards and meets the increased rigor of the new state standards by providing collections of topically linked, complex texts-including more informational texts and literary nonfiction. Students engage in critical analysis and practice writing to sources with tasks that require analysis, synthesis and evidence.*
- *The district continued its partnership with Montclair State University in the WIPRO Science Fellowship Program in order to develop the capacity of classroom teachers to design transformative and innovative, multimodal instructional experiences and active learning communities of practice-all as a means of enhancing the quality of instruction in the STEM disciplines. Teachers participating in the program are given the necessary support to have significant roles of leadership in facilitating innovative STEM instruction both within the classroom as well as school wide. The district also continued its involvement in the MSUNER and the CUSP programs through Montclair State University.*
- *Professional Learning Communities and grade-level meetings took place throughout the year with grades 6-8 Science teachers in order to refine the current Science curriculum and meet the expectations of the Next Generation Science Standards. In conjunction with the District Math and Science Supervisor, teachers developed a framework to be implemented in the 2015-16 school year with the expectation of further refining the curriculum for final implementation in the 2016-17 school year. Supervisors and teachers also attended multiple professional development opportunities offered by the NJDOE, Montclair State University, etc. to assist in this effort.*

- *The district entered its second year of the newly created Lincoln Middle School. An additional teaching team was added.*
- *The district continued its strategic plan implementation which included developing additional course offerings as was recommended in the curriculum section of the plan.*
- *Articulation also took place between the grade 7 Math Honors teachers and the Grade 8 Algebra I teachers. A delineation of appropriate topics to be covered in Grade 7 Honors was established in order to best prepare students for Algebra I.*

- HIGH SCHOOL

- *Benchmark assessments were developed and administered in all subject areas in the high school. Data was used to inform instruction and identify areas of strengths and weakness for individual student learning plans.*
- *Several new courses were developed to be implemented in the 2015-16 school year. These courses are: AP US History, AP Computer Science, AP Macroeconomics and Intro to Cyber Security. New Textbooks were also purchased for the Physical Education/Health department that align with the NJCCCS and expose students to current topics.*
- *Increased articulation took place between the middle and high school Algebra teachers in order to better establish consistency in the Algebra I curriculum.*
- *Achieve 3000 was implemented in the Special Education department for students in grades 9-12.*

- ATHLETICS

- *The district has no pending projects.*

- DISTRICT

- Wireless Project for District Mobile Devices

- *The installation of wireless access points has been completed at all elementary schools. The high school is partially done and will be completed as the construction project moves ahead. Policies and guidelines will be modified to include the use of mobile devices and a BYOD initiative.*

- District Data Center

- *The District Data Center, located in the high school, continues to grow and provide centralized housing and control of much of the district's infrastructure and many of the district's servers. Three secondary data center extensions have been developed to provide some redundancy and to allow for the continued*

growth of data services. These locations are in the south building at the high school; an IDF location in Lincoln School; and the MDF location in the Board of Education building. Backup generators still need to be added.

- *On-Line & Subscription Services Initiative*

- *The district will continue the use of on-line lesson plans with on-line class pages for each teacher. We are continuing to use the online Lesson Planner module in the Genesis Student Information System.*
- *The district will continue with the Genesis Student Information System which provides a comprehensive set of student data reporting tools and educational tools as well as web access to all teachers, a grade book and a parent portal.*
- *The use of streaming video is continued through the Discovery Education Streaming product provided grade appropriate educational videos to all classrooms. Additional online services include Interactive Achievement, FitnessGram, Edmentum, Think Central, Go Math!, Pearson SuccessNet Math, Achieve 3000, Naviance, Follette Library Services, Plato, and Rosetta Stone. Services will be added/removed as required.*

- *Preparation for PARCC Testing*

- *Classrooms were optimized as hybrid classrooms and test centers to allow the use of test centers in each building. Selected classrooms received electrical wiring and data wiring for use during the PARCC testing sessions. When not used as test centers, the classrooms will function as regular classroom spaces. These classrooms will be used again for this year's PARCC testing.*

- *Kearny High School Noise Abatement & Renovation Project*

- *The renovation and construction work project funded through a joint effort of the Port Authority, the FAA, the Schools Development Authority and the Kearny Board of Education has begun and has an estimated completion date of September 2017.*

- *Kearny High School Façade Project*

- *The exterior façade project is substantially complete and currently in arbitration.*

- *Midland Avenue Property*

- *Property was purchased by the Board of Education for the renovation of classroom/central office space. Work is scheduled to be complete by October 2015 by Board of Education employees.*

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

- (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".
- (7) DEBT ADMINISTRATION: At June 30, 2015, the District's outstanding debt included \$9,780,000 of general obligation bonds to provide funds for capital improvements to the District's buildings and grounds. These improvements include ventilation upgrading, restoration of the High School, Garfield, Roosevelt, Schuyler and Washington Schools' building façades, restoration of District walkways and grounds, and various other projects.
- (8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". 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"). 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.

(9) RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, school board errors and omissions, boiler and machinery, and workers' compensation.

(10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, 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 Single Audit Act as amended and the related OMB Circular A-133 and State Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

(11) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Kearny 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.

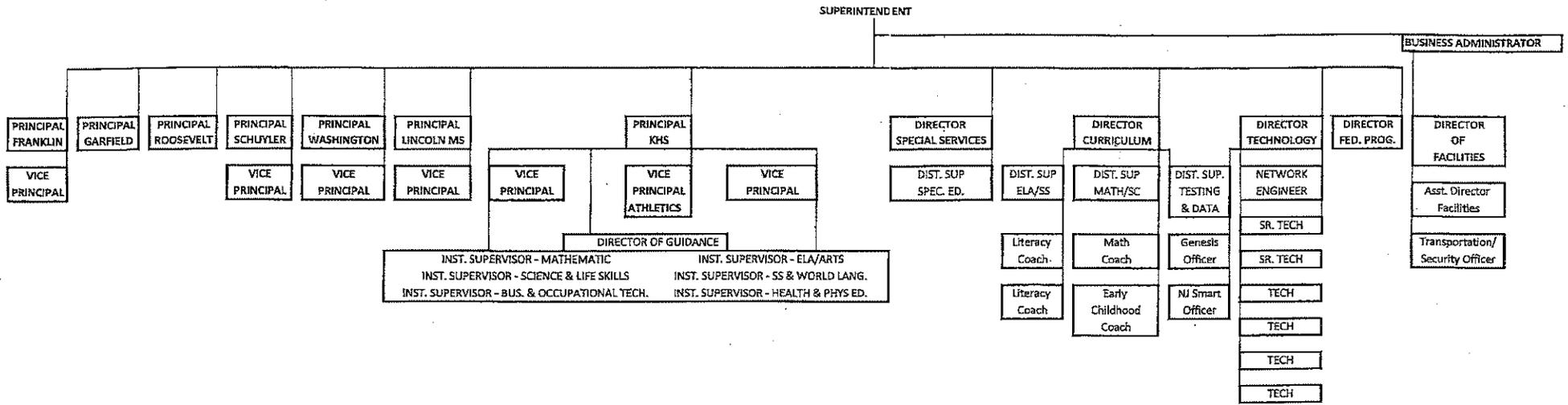
Respectfully submitted,



Michael DeVita
Business Administrator/Board Secretary



Patricia Blood
Superintendent of Schools



KEARNY BOARD OF EDUCATION

KEARNY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2015

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Barbara Cifelli-Sherry	2016
Mercedes Davidson	2017
James Doran, Jr.	2015
Bryan Granelli	2016
James L. Hill	2017
Cecilia Lindenfeser	2015
Bernadette McDonald	2016
Samantha Paris	2016
Sebastian J. Viscuso	2017

ADMINISTRATION

Patricia Blood, Superintendent of Schools

Michael DeVita, Business Administrator/ Board Secretary

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PROVIDENT BANK
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KEARNY, NEW JERSEY 07032

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
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ELIZABETH A. SHICK, CPA, RMA, PSA
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ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of June 30, 2015, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Kearny Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearny Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Kearny Board of Education.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2015 on our consideration of the Kearny Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Kearny Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2015

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

This section of the Kearny Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal year include the following:

- The assets and deferred outflows of resources of the Kearny School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,963,219.
- Overall revenues were \$104,143,998 which were \$6,325 less than expenses. General revenues accounted for \$75,082,023 or 72% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$29,061,975 or 28% of total revenues.
- The School District had \$102,006,319 in expenses for governmental activities; only \$27,350,553 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$74,573,761 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combining ending fund balances of \$9,665,894. The unassigned general fund balance (GAAP Basis) is a deficit of \$1,652,334.
- The General Fund unassigned budgetary basis fund balance was \$1,687,865 at June 2015, an increase of \$139,549 when compared with the beginning balance at July 1, 2014 of \$1,548,316.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

KEARNY BOARD OF EDUCATION

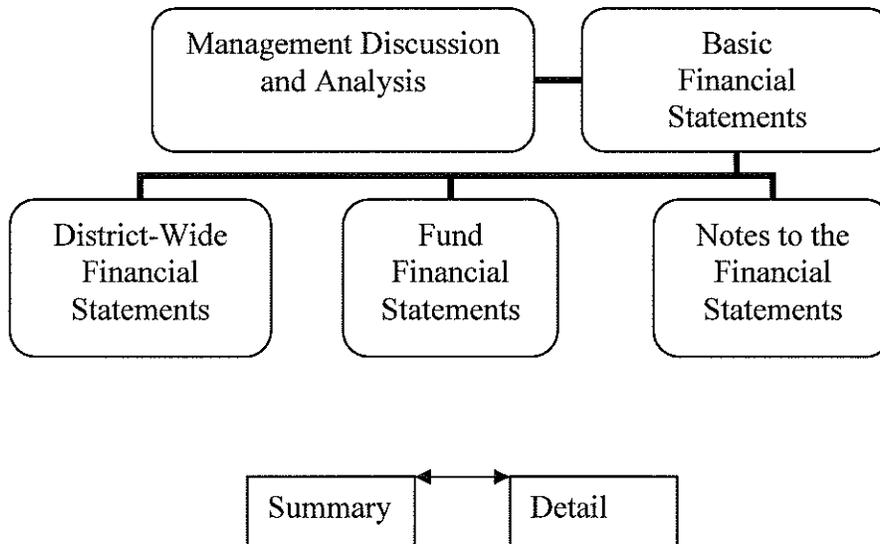
Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

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

Major Features of the District-Wide and Fund Financial Statements

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Net Position. The District's combined net position, as summarized below, was \$32,963,219 and \$32,969,544 on June 30, 2015 and 2014, respectively. The District's net position at June 30, 2014 was restated to reflect the District's net pension liability for the Public Employees' Retirement System as required by GASB Statement No. 68.

Table A-1
Statement of Net Position
as of June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Restated)	2015	2014	2015	2014 (Restated)
Assets						
Current and Other Assets	\$ 50,715,602	\$ 54,015,926	\$ 443,716	\$ 478,173	\$ 51,159,318	\$ 54,494,099
Capital Assets	65,909,980	66,442,703	122,355	97,047	66,032,335	66,539,750
Total Assets	<u>116,625,582</u>	<u>120,458,629</u>	<u>566,071</u>	<u>575,220</u>	<u>117,191,653</u>	<u>121,033,849</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	2,128,704				2,128,704	
Deferred Charges on Refunding	477,922	-	-	-	477,922	-
Total Deferred Outflows of Resources	<u>2,606,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,606,626</u>	<u>-</u>
Liabilities						
Long-Term Liabilities	44,434,419	26,307,654			44,434,419	26,307,654
Other Liabilities	41,163,387	42,579,854	18,299	104,250	41,181,686	42,684,104
Total Liabilities	<u>85,597,806</u>	<u>68,887,508</u>	<u>18,299</u>	<u>104,250</u>	<u>85,616,105</u>	<u>68,991,758</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	1,216,142				1,216,142	
Deferred Commodities Revenue	-	-	2,813	1,691	2,813	1,691
Total Deferred Inflows of Resources	<u>1,216,142</u>	<u>-</u>	<u>2,813</u>	<u>1,691</u>	<u>1,218,955</u>	<u>1,691</u>
Net Position						
Net Investment in Capital Assets	55,491,651	55,485,780	122,355	97,047	55,614,006	55,582,827
Restricted	8,425,574	7,255,516			8,425,574	7,255,516
Unrestricted	(31,498,965)	(30,241,031)	422,604	372,232	(31,076,361)	(29,868,799)
Total Net Position	<u>\$ 32,418,260</u>	<u>\$ 32,500,265</u>	<u>\$ 544,959</u>	<u>\$ 469,279</u>	<u>\$ 32,963,219</u>	<u>\$ 32,969,544</u>

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Below is a summary of the changes in net position for fiscal years ended June 30, 2015 and 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 50,462	\$ 59,563	\$ 448,935	\$ 482,377	\$ 499,397	\$ 541,940
Operating Grants and Contributions	25,265,538	15,152,252	1,262,487	1,316,125	26,528,025	16,468,377
Capital Grants and Contributions	2,034,553	5,734,925			2,034,553	5,734,925
General Revenues						
Property Taxes	47,337,165	46,889,208			47,337,165	46,889,208
Federal and State Aid	27,139,472	26,996,569			27,139,472	26,996,569
Other	605,386	450,124	-	-	605,386	450,124
Total Revenues	<u>102,432,576</u>	<u>95,282,641</u>	<u>1,711,422</u>	<u>1,798,502</u>	<u>104,143,998</u>	<u>97,081,143</u>
Expenses						
Instruction						
Regular	50,637,282	45,504,197			50,637,282	45,504,197
Special Education	13,900,553	11,402,060			13,900,553	11,402,060
Other Instruction	2,920,309	2,740,285			2,920,309	2,740,285
School Sponsored Activities and Athletics	1,376,895	1,310,483			1,376,895	1,310,483
Support Services						
Student and Instruction Related Services	8,764,376	8,050,400			8,764,376	8,050,400
General Administration and Business Services	4,853,589	4,618,919			4,853,589	4,618,919
School Administration Services	7,530,457	6,819,361			7,530,457	6,819,361
Plant Operation and Maintenance	9,643,413	8,984,044			9,643,413	8,984,044
Pupil Transportation	1,698,164	1,500,332			1,698,164	1,500,332
Interest and Other Charges on Long-Term Debt	681,281	654,180			681,281	654,180
Food Service	-	-	2,144,004	2,073,328	2,144,004	2,073,328
Total Expenses	<u>102,006,319</u>	<u>91,584,261</u>	<u>2,144,004</u>	<u>2,073,328</u>	<u>104,150,323</u>	<u>93,657,589</u>
Increase (Decrease) in Net Position before						
Transfers	426,257	3,698,380	(432,582)	(274,826)	(6,325)	3,423,554
Transfers	<u>(508,262)</u>	<u>(313,436)</u>	<u>508,262</u>	<u>313,436</u>	<u>-</u>	<u>-</u>
Change in Net Position	(82,005)	3,384,944	75,680	38,610	(6,325)	3,423,554
Net Position, Beginning of Year	32,500,265	48,186,177	469,279	430,669	32,969,544	48,616,846
Prior Period Adjustment	<u>-</u>	<u>(19,070,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,070,856)</u>
Net Position, End of Year	<u>\$ 32,418,260</u>	<u>\$ 32,500,265</u>	<u>\$ 544,959</u>	<u>\$ 469,279</u>	<u>\$ 32,963,219</u>	<u>\$ 32,969,544</u>

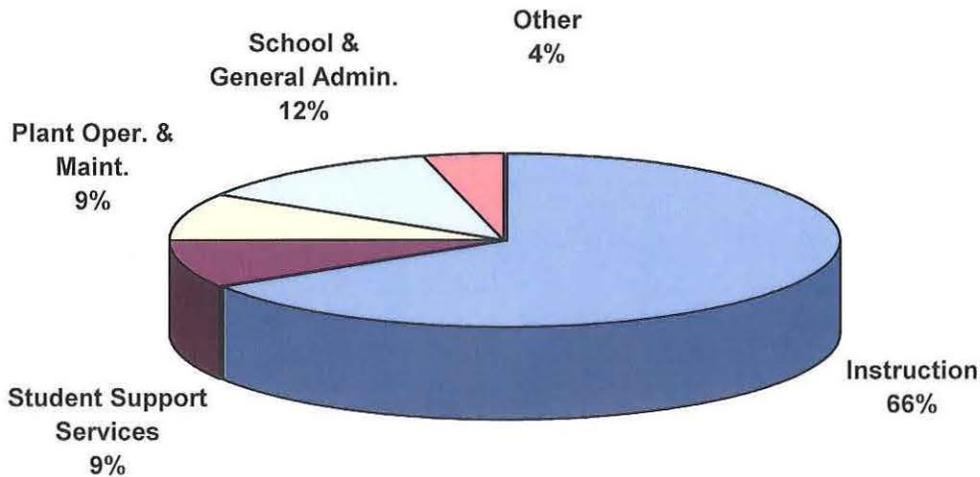
KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Changes in net position. The District's total revenues were \$104,143,998. Property taxes of \$47,337,165 represented 45% of revenues. Approximately 54% of the District's revenues were received from state and federal sources, the balance of 1% came from investment earnings, fees for adult education and other miscellaneous items.

The District's expenses are predominately related to educating and caring for students. The total cost of all programs and services was \$104,150,323. Total expenses exceeded revenues, decreasing net position by \$6,325 from the beginning balance at July 1, 2014.



Total and Net Cost of Governmental Activities. The District's total cost of services was \$102,006,319 for the fiscal year ended June 30, 2015. After applying program revenues, derived from charges for services of \$50,462; operating grants and contributions of \$25,265,538; and capital grants and contributions of \$2,034,553, the net cost of services of the District is \$74,655,766. The following is a comparative analysis of the net cost of governmental activities for the fiscal years ended June 30, 2015 and 2014.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

	Total Cost of Services		Net Cost of Services	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Instruction				
Regular	\$ 50,637,282	\$ 45,504,197	\$ 38,071,485	\$ 39,502,836
Special Education	13,900,553	11,402,060	6,719,959	5,589,973
Other Instruction	2,920,309	2,740,285	2,113,888	2,309,120
School Sponsored Activities and Athletics	1,376,895	1,310,483	1,146,281	1,209,224
Support Services				
Student and Instruction Related Services	8,764,376	8,050,400	6,798,249	6,516,335
General Administration and Business Services	4,853,589	4,618,919	4,145,950	4,300,000
School Administration Services	7,530,457	6,819,361	6,071,868	6,202,519
Plant Operation and Maintenance	9,643,413	8,984,044	7,259,307	2,903,895
Pupil Transportation	1,698,164	1,500,332	1,647,498	1,449,439
Interest and Other Charges on Debt	681,281	654,180	681,281	654,180
Total Governmental Activities	<u>\$ 102,006,319</u>	<u>\$ 91,584,261</u>	<u>\$ 74,655,766</u>	<u>\$ 70,637,521</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2015 was \$2,144,004. These costs were predominantly funded by operating grants, charges for services and a General Fund subsidy to offset the cost of district employees working in the Food Service Program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. At the end of the fiscal year, the Board's Governmental Funds reported a combined fund balance of \$9,665,894. The fund balance at June 30, 2014 was \$11,645,774.

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

GENERAL FUND

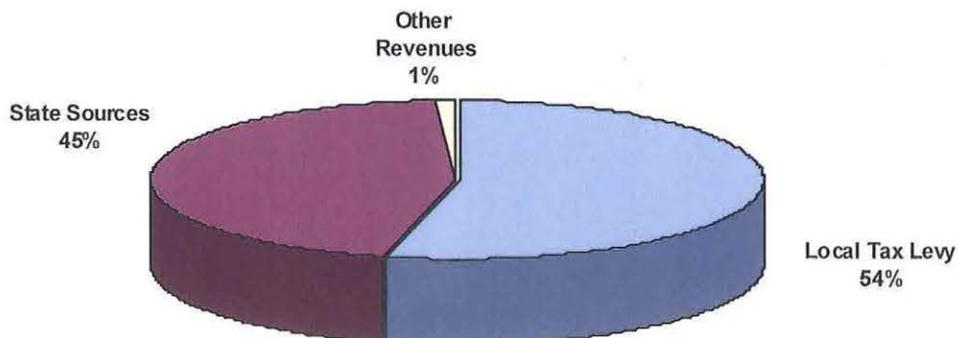
The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 12 including pupil transportation, student activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues for the fiscal years ended June 30, 2015 and 2014.

	Fiscal Year Ended <u>June 30, 2015</u>	Fiscal Year Ended <u>June 30, 2014</u>	Amount of Increase (Decrease)	Percent
Revenues				
Local Sources:				
Property Tax Levy	\$ 46,217,348	\$ 45,759,751	\$ 457,597	1.0%
Miscellaneous	632,529	509,687	122,842	24.1%
State Sources	39,109,267	37,787,362	1,321,905	3.5%
Federal Sources	<u>291,605</u>	<u>183,461</u>	<u>108,144</u>	58.9%
Total Revenues	\$ 86,250,749	\$ 84,240,261	\$ 2,010,488	2.4%

The General Fund revenues are primarily funded from property taxes and State aid. These combine for 99% of the District's total revenue. Miscellaneous revenues increased primarily due to the District receiving greater revenues for solar energy credits and other miscellaneous refunds during the 2014/2015 school year. Revenue from federal sources increased with the SEMI aid and a one time SEMI ARRA adjustment.

2014/2015 Revenues by Source



KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2015 and 2014.

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent
Expenditures				
Instruction	\$ 55,835,982	\$ 53,899,668	\$ 1,936,314	3.6%
Support Services	30,191,865	28,766,143	1,425,722	5.0%
Capital Outlay	349,895	51,938	297,957	573.7%
Debt Service	298,927	194,876	104,051	53.4%
Total Expenditures	\$ 86,676,669	\$ 82,912,625	\$ 3,764,044	4.5%

Total General Fund expenditures increased \$3,764,044 or 4.5% from the previous year. This increase can be attributed to increases in contractual salaries and employee benefits.

In 2014-2015 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$1,435,378. After adjusting for statutory transfers and reserves, the unassigned fund balance at June 30, 2015 was a deficit of \$1,652,334. This deficit was eliminated upon the District's receipt of the 2014/2015 final state aid payments and extraordinary aid.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of June 30, 2014 reserve for encumbrances.

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Revenues of the Special Revenue Fund were \$3,758,576, for the fiscal year ended June 30, 2015. State sources in the amount of \$777,751 accounted for 21% of the total revenue and federal sources in the amount of \$2,965,656 accounted for 79% of the total revenue in the special revenue fund.

Total Special Revenue Fund revenues increased \$24,916 or 1% from the previous year. State sources decreased \$71,484, while Federal sources increased by \$84,321.

Expenditures of the Special Revenue Fund were \$4,261,591. Instructional expenditures were \$3,714,171 or 87%, expenditures for support services were \$539,738 or .13%, and expenditures for capital outlay were \$7,682 for the fiscal year ended June 30, 2015.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Project Fund current year expenditures and other financing uses exceeded revenues by \$544,502. The current year-end fund balance is \$499,958. The amount of revenue earned from the SDA for qualified Education Facilities Construction and Financing Act construction projects was \$857,778. In addition, the District realized \$941,420 from the FAA and \$237,174 from the Port Authority for funding related to the Kearny High School noise abatement/expansion projects.

The amount of debt service expenditures for 2014/2015 was \$1,559,501 in principal and interest, with \$1,119,817 funded from the property tax levy, \$439,684 from state aid. In addition there were expenditures for costs of issuance relating to refunding bonds in the amount of \$108,484.

Capital Assets. At the end of the 2014/15 fiscal year, the school district had invested in land, buildings, machinery and equipment as stated below:

	Governmental Activities		Business- Type Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 245,000	\$ 245,000		
Site Improvements	123,555	123,555		
Construction in Progress	26,364,939	29,756,161		
Buildings and Improvements	78,213,366	71,932,089		
Machinery and Equipment	<u>2,372,498</u>	<u>2,304,421</u>	\$ 204,429	\$ 308,854
Total	107,319,358	104,361,226	204,429	308,854
Less: Accumulated Depreciation	<u>(41,409,378)</u>	<u>(37,918,523)</u>	<u>(82,074)</u>	<u>(211,807)</u>
Total	<u>\$ 65,909,980</u>	<u>\$ 66,442,703</u>	<u>\$ 122,355</u>	<u>\$ 97,047</u>

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

KEARNY BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2015

Debt Administration. As of June 30, 2015 and 2014 the school district had long-term debt and outstanding long-term liabilities as follows:

	<u>2015</u>	<u>2014</u>
Serial Bonds Payable	\$ 9,780,000	\$ 11,025,000
Obligations Under Capital Leases	329,829	394,437
Compensated Absences	13,211,249	14,888,217
Net Pension Liability (PERS)	<u>20,406,935</u>	<u>19,070,856</u>
 Total	 <u>\$ 43,728,013</u>	 <u>\$ 45,378,510</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Many construction and renovation projects will be staged in various parts of the district. Recent legislation entitled the "Educational Facilities Construction and Financing Act" will help fund all major construction and improvement projects for the district. Complete information relating to this topic is available by reviewing the School District's long range facility plan on file in the School Business Administrator's office, 172 Midland Avenue, Kearny, NJ 07032.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,907,588	\$ 454,397	\$ 11,361,985
Receivables, net			
Receivables from Other Governments	39,596,898	72,562	39,669,460
Prepaid Items	111,116		111,116
Inventory		16,757	16,757
Internal Balances	100,000	(100,000)	
Capital Assets			
Not Being Depreciated	26,609,939		26,609,939
Being Depreciated, Net	39,300,041	122,355	39,422,396
Total Assets	<u>116,625,582</u>	<u>566,071</u>	<u>117,191,653</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	2,128,704		2,128,704
Deferred Amount on Refunding	477,922	-	477,922
Total Deferred Outflows of Resources	<u>2,606,626</u>	<u>-</u>	<u>2,606,626</u>
Total Assets and Deferred Outflows of Resources	<u>119,232,208</u>	<u>566,071</u>	<u>119,798,279</u>
LIABILITIES			
Accounts Payable	3,324,500	18,299	3,342,799
Payable to Federal/State Governments	49,145		49,145
Unearned Revenue	22,676,063		22,676,063
Accrued Interest Payable	113,679		113,679
Grant Note Payable	15,000,000		15,000,000
Noncurrent Liabilities			
Due Within One Year	4,104,794		4,104,794
Due Beyond One Year	40,329,625	-	40,329,625
Total Liabilities	<u>85,597,806</u>	<u>18,299</u>	<u>85,616,105</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	1,216,142		1,216,142
Deferred Commodities Revenue	-	2,813	2,813
Total Deferred Inflows of Resources	<u>1,216,142</u>	<u>2,813</u>	<u>1,218,955</u>
Total Liabilities and Deferred Inflows of Resources	<u>86,813,948</u>	<u>21,112</u>	<u>86,835,060</u>
NET POSITION			
Net Investment in Capital Assets	55,491,651	122,355	55,614,006
Restricted for:			
Capital Projects	8,413,359		8,413,359
Debt Service	12,215		12,215
Unrestricted	(31,498,965)	422,604	(31,076,361)
Total Net Position	<u>\$ 32,418,260</u>	<u>\$ 544,959</u>	<u>\$ 32,963,219</u>

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

KEARNY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 50,637,282		\$ 12,565,797		\$ (38,071,485)		\$ (38,071,485)
Special Education	13,900,553		7,180,594		(6,719,959)		(6,719,959)
Other Instruction	2,920,309	\$ 50,462	755,959		(2,113,888)		(2,113,888)
School Sponsored Activities and Athletics	1,376,895		230,614		(1,146,281)		(1,146,281)
Support Services							
Student and Instruction Related Svcs.	8,764,376		1,966,127		(6,798,249)		(6,798,249)
General Administrative Services	2,832,130		474,180		(2,357,950)		(2,357,950)
School Administrative Services	7,530,457		1,458,589		(6,071,868)		(6,071,868)
Plant Operations and Maintenance	9,643,413		349,553	\$ 2,034,553	(7,259,307)		(7,259,307)
Pupil Transportation	1,698,164		50,666		(1,647,498)		(1,647,498)
Business and Other Support Services	2,021,459		233,459		(1,788,000)		(1,788,000)
Interest and Other Charges on Long-Term Debt	681,281	-	-	-	(681,281)	-	(681,281)
Total Governmental Activities	102,006,319	50,462	25,265,538	2,034,553	(74,655,766)	-	(74,655,766)
Business-Type Activities							
Food Service	2,144,004	448,935	1,262,487	-	-	\$ (432,582)	(432,582)
Total Business-Type Activities	2,144,004	448,935	1,262,487	-	-	(432,582)	(432,582)
Total Primary Government	\$ 104,150,323	\$ 499,397	\$ 26,528,025	\$ 2,034,553	(74,655,766)	(432,582)	(75,088,348)
General Revenues:							
Property Taxes, General					46,217,348		46,217,348
Property Taxes, Debt Service					1,119,817		1,119,817
Federal and State Aid - Unrestricted					26,699,788		26,699,788
State Aid- Restricted for Debt Service					439,684		439,684
Investment Income					25,289		25,289
Miscellaneous Income					558,597		558,597
Donated Capital Assets					21,500		21,500
Transfers					(508,262)	508,262	-
Total General Revenues and Transfers					74,573,761	508,262	75,082,023
Change in Net Position					(82,005)	75,680	(6,325)
Net Position, Beginning of Year (Restated)					32,500,265	469,279	32,969,544
Net Position, End of Year					\$ 32,418,260	\$ 544,959	\$ 32,963,219

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

FUND FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 9,272,333	\$ 629,997	\$ 1,005,258		\$ 10,907,588
Due from Other Funds	1,107,785				1,107,785
Prepaid Items	111,116				111,116
Receivables, Net					
Receivables From Other Governments	819,894	1,442,209	37,334,795	-	39,596,898
Total Assets	<u>\$ 11,311,128</u>	<u>\$ 2,072,206</u>	<u>\$ 38,340,053</u>	<u>\$ -</u>	<u>\$ 51,723,387</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 2,145,192	\$ 236,497	\$ 942,811		\$ 3,324,500
Due to Other Funds			1,007,785		1,007,785
Payable to Federal/State Governments		49,145			49,145
Grant Note Payable			15,000,000		15,000,000
Unearned Revenue	-	1,786,564	20,889,499	-	22,676,063
Total Liabilities	<u>2,145,192</u>	<u>2,072,206</u>	<u>37,840,095</u>	<u>-</u>	<u>42,057,493</u>
Fund Balances					
Nonspendable					
Prepays	111,116				111,116
Restricted					
Capital Reserve	8,413,359				8,413,359
Adult Education Program	52,264				52,264
Excess Surplus Designated for Subsequent Year's Budget	1,002,249				1,002,249
Capital Projects			487,743		487,743
Debt Service			12,215		12,215
Committed					
Encumbrances	423,991				423,991
Assigned					
Designated for Subsequent Year's Budget	557,375				557,375
Designated for SEMI/ARRA	62,762				62,762
Encumbrances	195,154				195,154
Unassigned					
General Fund	(1,652,334)	-	-	-	(1,652,334)
Total Fund Balances	<u>9,165,936</u>	<u>-</u>	<u>499,958</u>	<u>-</u>	<u>9,665,894</u>
Total Liabilities and Fund Balances	<u>\$ 11,311,128</u>	<u>\$ 2,072,206</u>	<u>\$ 38,340,053</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$107,319,358 and the accumulated depreciation is \$41,409,378. 65,909,980

The District has financed capital assets through the issuance of general obligation bonds. The accrued interest at year end is (113,679)

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. Long-term liabilities at year end consist of:

General Obligation Bonds Payable	\$ 9,780,000	
Add: Unamortized Premium	706,406	
Less: Deferred Amount on Refunding	(477,922)	
Obligations Under Lease Purchase Agreements	329,829	
Compensated Absences	13,211,249	
Pension Liability	20,406,935	
Add: Deferred Inflows of Resources		
Deferred Amounts on Net Pension Liability	1,216,142	
Less: Deferred Outflows of Resources		
Deferred Amounts on Net Pension Liability	<u>(2,128,704)</u>	
		<u>(43,043,935)</u>

Net Position of Governmental Activities \$ 32,418,260

KEARNY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Property Tax Levy	\$ 46,217,348			\$ 1,119,817	\$ 47,337,165
Miscellaneous	<u>632,529</u>	<u>\$ 15,169</u>	<u>\$ 237,174</u>	<u>-</u>	<u>884,872</u>
Total - Local Sources	46,849,877	15,169	237,174	1,119,817	48,222,037
State Sources	39,109,267	777,751	857,778	439,684	41,184,480
Federal Sources	<u>291,605</u>	<u>2,965,656</u>	<u>941,420</u>	<u>-</u>	<u>4,198,681</u>
Total Revenues	<u>86,250,749</u>	<u>3,758,576</u>	<u>2,036,372</u>	<u>1,559,501</u>	<u>93,605,198</u>
EXPENDITURES					
Current					
Instruction					
Regular Instruction	40,215,701	2,349,980			42,565,681
Special Education Instruction	11,785,371	1,304,224			13,089,595
Other Instruction	2,558,146	59,967			2,618,113
School Sponsored Activities and Athletics	1,276,764				1,276,764
Support Services					-
Student and Instruction Related Services	7,567,951	539,738			8,107,689
General Administrative Services	2,609,139				2,609,139
School Administrative Services	6,875,942				6,875,942
Plant Operations and Maintenance	9,556,186				9,556,186
Pupil Transportation	1,668,320				1,668,320
Business and Central Services	1,914,327				1,914,327
Debt Service					
Principal	64,608			1,125,000	1,189,608
Interest and Other Charges	234,319			434,501	668,820
Cost of Issuance				108,484	108,484
Capital Outlay	<u>349,895</u>	<u>7,682</u>	<u>2,579,055</u>	<u>-</u>	<u>2,936,632</u>
Total Expenditures	<u>86,676,669</u>	<u>4,261,591</u>	<u>2,579,055</u>	<u>1,667,985</u>	<u>95,185,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(425,920)</u>	<u>(503,015)</u>	<u>(542,683)</u>	<u>(108,484)</u>	<u>(1,580,102)</u>
OTHER FINANCING SOURCES (USES)					
Refunding Bond Proceeds				6,740,000	6,740,000
Premium on Refunding Bonds				706,406	706,406
Payments to Refunding Escrow Agent				(7,337,922)	(7,337,922)
Transfers In	1,819	503,015		-	504,834
Transfers Out	<u>(1,011,277)</u>	<u>-</u>	<u>(1,819)</u>	<u>-</u>	<u>(1,013,096)</u>
Total Other Financing Sources and Uses	<u>(1,009,458)</u>	<u>503,015</u>	<u>(1,819)</u>	<u>108,484</u>	<u>(399,778)</u>
Net Change in Fund Balances	(1,435,378)	-	(544,502)	-	(1,979,880)
Fund Balance, Beginning of Year	<u>10,601,314</u>	<u>-</u>	<u>1,044,460</u>	<u>-</u>	<u>11,645,774</u>
Fund Balance, End of Year	<u>\$ 9,165,936</u>	<u>\$ -</u>	<u>\$ 499,958</u>	<u>\$ -</u>	<u>\$ 9,665,894</u>

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

**KEARNY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (1,979,880)

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

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

Capital Outlays	\$ 2,936,632	
Depreciation Expense	<u>(3,490,855)</u>	(554,223)

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

Donated Capital Assets		21,500
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The issuance of long-term debt provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. It does not affect the statement of activities.

Refunding Bond Proceeds	(6,740,000)	
Premium on Refunding	(706,406)	
Payments to Escrow Agents	<u>7,337,922</u>	(108,484)

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

Net Decrease in Compensated Absences Liability		1,676,968
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of Bond Principal	1,125,000	
Repayment of Lease Purchase Obligations	<u>64,608</u>	1,189,608

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

Decrease in Accrued Interest		96,023
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

Increase in Pension Expense - Public Employees' Retirement System		<u>(423,517)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (82,005)**

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2015**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 454,397
Intergovernmental Accounts Receivable	72,562
Inventories	<u>16,757</u>
Total Current Assets	<u>543,716</u>
Capital Assets	
Furniture, Machinery and Equipment	204,429
Less Accumulated Depreciation	<u>(82,074)</u>
Total Capital Assets	<u>122,355</u>
Total Assets	<u>666,071</u>

LIABILITIES

Current Liabilities	
Accounts Payable	18,299
Due to Other Funds	<u>100,000</u>
Total Current Liabilities	<u>118,299</u>
Total Liabilities	<u>118,299</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Commodities Revenue	<u>2,813</u>
Total Deferred Inflows of Resources	<u>2,813</u>
Total Liabilities and Deferred Inflows of Resources	<u>121,112</u>

NET POSITION

Investment in Capital Assets	122,355
Unrestricted	<u>422,604</u>
Total Net Position	<u>\$ 544,959</u>

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

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES

Charges for Services	
Daily Sales	\$ 444,850
Special Functions	4,085
	<hr/>
Total Operating Revenues	448,935

OPERATING EXPENSES

Cost of Sales	806,884
Salaries and Wages	985,515
Employee Benefits	112,628
Management Fee	67,647
Other Expenses	93,735
Supplies and Materials	62,325
Depreciation	15,270
	<hr/>

Total Operating Expenses	2,144,004
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Operating Income (Loss)	<hr/> <u>(1,695,069)</u>
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NONOPERATING REVENUES

State Sources	
State School Lunch Program	23,581
Federal Sources	
National School Lunch Program	1,150,707
National School Breakfast Program	88,199
	<hr/>

Total Nonoperating Revenues	1,262,487
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Operating (Loss) Before Transfers	(432,582)
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Net Transfers	<hr/> <u>508,262</u>
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Change in Net Position	75,680
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Total Net Position, Beginning of Year	<hr/> <u>469,279</u>
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Total Net Position, End of Year	<hr/> <u>\$ 544,959</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
 PROPRIETARY FUNDS
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 448,935
Cash Payments for Employees Salaries and Benefits	(1,098,143)
Cash Payments to Suppliers	<u>(986,006)</u>
Net Cash (Used for) Operating Activities	<u>(1,635,214)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash Received from General Fund	508,262
Cash Received from State and Federal Sources	<u>1,138,106</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,646,368</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Cash Payments for Capital Assets	<u>(40,578)</u>
Net Cash (Used For) Capital Financing Activities	<u>(40,578)</u>
Net Change in Cash and Cash Equivalents	(29,424)
Cash and Cash Equivalents, Beginning of Year	<u>483,821</u>
Cash and Cash Equivalents, End of Year	<u>\$ 454,397</u>

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

Operating Income (Loss)	<u>\$ (1,695,069)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used for) Operating Activities	
Depreciation	15,270
Non Cash Federal Assistance-Food Distribution Program	132,831
(Increase) Decrease in Other Accounts Receivable	
(Increase) Decrease in Inventories	(3,417)
Increase (Decrease) in Deferred Commodities Revenue	1,122
Increase (Decrease) in Accounts Payable	<u>(85,951)</u>
Total Adjustments	<u>59,855</u>
Net Cash (Used for) Operating Activities	<u>\$ (1,635,214)</u>

Non-Cash Financing Activities:

Fair Value Received - Food Distribution Program	\$ 133,952
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015**

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 270,080	\$ 947,981	\$ 401,401
Due from Other Funds	<u>-</u>	<u>1,121</u>	<u>-</u>
Total Assets	<u>270,080</u>	<u>949,102</u>	<u>\$ 401,401</u>
LIABILITIES			
Intergovernmental Payable		29,698	
Accounts Payable			
Due to Other Funds			\$ 1,121
Due To Student Groups			283,486
Payroll Deductions and Withholdings	<u>-</u>	<u>-</u>	<u>116,794</u>
Total Liabilities	<u>-</u>	<u>29,698</u>	<u>\$ 401,401</u>
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 270,080</u>	<u>\$ 919,404</u>	

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

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Scholarship Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>
ADDITIONS		
Interest Earnings	\$ 910	\$ 1,363
Employee Contributions	<u>-</u>	<u>130,417</u>
Total Additions	<u>910</u>	<u>131,780</u>
DEDUCTIONS		
Scholarships Awarded	4,500	
Administrative Expenses		6,066
Unemployment Claims and Contributions	<u>-</u>	<u>104,576</u>
Total Deductions	<u>4,500</u>	<u>110,642</u>
Change in Net Position	(3,590)	21,138
Net Position, Beginning of Year	<u>273,670</u>	<u>898,266</u>
Net Position, End of Year	<u>\$ 270,080</u>	<u>\$ 919,404</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2015, the District adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

C. Basis of Presentation - Financial Statements

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	10-20
Machinery and Equipment	5-20
Computer Equipment	5

6. Deferred Outflows/Inflows of Resources

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Deferred Outflows/Inflows of Resources (Continued)*

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

7. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of unused vacation, personal and sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. *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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

9. *Long-Term Obligations*

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

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Long-Term Obligations (Continued)*

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

10. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

Nonspendable Fund Balance – Amounts that are not in a spendable form (such as prepaids) or are required to be maintained intact.

Prepaids – Represents the portion of fund balance not available for future spending related to costs associated with and chargeable to future accounting periods.

KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balance (Continued)

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

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

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

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that was appropriated in the 2015/2016 original budget certified for taxes.

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

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

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

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

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

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2015/2016 District budget certified for taxes.

ARRA/SEMI – Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of the ARRA/SEMI revenue that is unexpended at June 30, 2015 that will be appropriated either by Board resolution into the 2015/2016 budget or in the adopted 2016/2017 budget certified for taxes.

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

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

Tuition Expenditures - Tuition charges for the fiscal years 2013-2014 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2014/2015. Also, during 2014/2015 the Board increased the original budget by \$1,969,336. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

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

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

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriation resulted in an unfavorable variance.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Instruction – Regular Program			
Regular Programs – Undistributed Instruction			
Purchased Professional Educational Services	\$273,037	\$383,194	\$110,157

The above variance was offset with other available resources.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$1,652,334 in the General Fund as of June 30, 2015 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2014/2015 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unassigned general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District's deficit in the GAAP (fund) financial statements of \$1,652,334 in the General Fund is equal to or less than the delayed state aid payments.

D. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2015 is as follows:

Balance, July 1, 2014		\$ 7,243,301
Increased by:		
Interest Earnings	\$ 8,622	
Deposit by Board Resolution	<u>1,161,436</u>	
		<u>1,170,058</u>
Balance, June 30, 2015		<u>\$ 8,413,359</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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 in excess of 2% of budget expenditures 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 excess fund balance at June 30, 2015 is \$1,002,249. This amount was designated and appropriated in the 2015/2016 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2015, the book value of the Board's deposits were \$12,981,447 and bank and brokerage firm balances of the Board's deposits amounted to \$14,885,117. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 14,885,117</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2015 the Board's bank balances were not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2015, the Board had no outstanding investments.

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2015 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal	\$ 105,012	\$ 1,442,209	\$ 18,915,899	\$ 70,463	\$ 20,533,583
State	612,315		14,735,117	2,099	15,349,531
Other	<u>102,567</u>	<u>-</u>	<u>3,683,779</u>	<u>-</u>	<u>3,786,346</u>
	<u>819,894</u>	<u>1,442,209</u>	<u>37,334,795</u>	<u>72,562</u>	<u>39,669,460</u>
Gross Receivables	819,894	1,442,209	37,334,795	72,562	39,669,460
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 819,894</u>	<u>\$ 1,442,209</u>	<u>\$ 37,334,795</u>	<u>\$ 72,562</u>	<u>\$ 39,669,460</u>

C. Unearned Revenue

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

	<u>Total</u>
Special Revenue Fund	
Unencumbered Grant Drawdowns	\$ 1,786,564
Capital Projects Fund	
Unrealized School Facilities Grants	<u>20,889,499</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 22,676,063</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance, July 1, 2014</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance, June 30, 2015</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 245,000			\$ 245,000
Construction in Progress	29,756,161	\$ 2,579,055	\$ (5,970,277)	26,364,939
Total Capital Assets, Not Being Depreciated	<u>30,001,161</u>	<u>2,579,055</u>	<u>(5,970,277)</u>	<u>26,609,939</u>
Capital Assets, Being Depreciated:				
Site Improvements	123,555			123,555
Buildings and Improvements	71,932,089	6,281,277		78,213,366
Machinery and Equipment	2,304,421	68,077	-	2,372,498
Total Capital Assets Being Depreciated	<u>74,360,065</u>	<u>6,349,354</u>	<u>-</u>	<u>80,709,419</u>
Less Accumulated Depreciation for:				
Site Improvements	(30,890)	(6,178)		(37,068)
Buildings and Improvements	(37,072,040)	(3,280,159)		(40,352,199)
Machinery and Equipment	(815,593)	(204,518)	-	(1,020,111)
Total Accumulated Depreciation	<u>(37,918,523)</u>	<u>(3,490,855)</u>	<u>-</u>	<u>(41,409,378)</u>
Total Capital Assets, Being Depreciated, Net	<u>36,441,542</u>	<u>2,858,499</u>	<u>-</u>	<u>39,300,041</u>
Governmental Activities Capital Assets, Net	<u>\$ 66,442,703</u>	<u>\$ 5,437,554</u>	<u>\$ (5,970,277)</u>	<u>\$ 65,909,980</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 308,854	\$ 40,578	\$ 145,003	\$ 204,429
Total Capital Assets Being Depreciated	<u>308,854</u>	<u>40,578</u>	<u>145,003</u>	<u>204,429</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(211,807)	(15,270)	(145,003)	(82,074)
Total Accumulated Depreciation	<u>(211,807)</u>	<u>(15,270)</u>	<u>(145,003)</u>	<u>(82,074)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 97,047</u>	<u>\$ 25,308</u>	<u>\$ -</u>	<u>\$ 122,355</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction

Regular	\$ 3,417,547
Special	1,745
Total Instruction	<u>3,419,292</u>

Support Services

Support Services - Students	19,200
General Administration	17,105
School Administration	2,444
Operations and Maintenance of Plant	10,123
Student Transportation	22,691
Total Support Services	<u>71,563</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 3,490,855</u>
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Business-Type Activities:

Food Service Fund	<u>\$ 15,270</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 15,270</u>

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2015:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aircraft Noise Abatement - Kearny High School	\$ 23,216,841	\$ 4,625,174
Franklin School Annex and Administration Offices	<u>3,049,568</u>	<u>9,746</u>
	<u>\$ 26,266,409</u>	<u>\$ 4,634,920</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,007,785
General Fund	Food Service Enterprise Fund	100,000
Unemployment Compensation Trust Fund	Payroll Agency Fund	<u>1,121</u>
Total		<u>\$ 1,108,906</u>

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

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

Interfund Transfers

	<u>Transfer In:</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	
<u>Transfer Out:</u>				
General Fund		\$ 503,015	\$ 508,262	\$ 1,011,277
Capital Projects Fund	\$ <u>1,819</u>	<u>-</u>	<u>-</u>	<u>1,819</u>
Total Transfers Out	\$ <u>1,819</u>	\$ <u>503,015</u>	\$ <u>508,262</u>	\$ <u>1,013,096</u>

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases copy machines and printers under noncancelable operating leases. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 131,511
2017	131,604
2018	131,704
2019	<u>22,651</u>
Total	<u>\$ 417,470</u>

Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2016	\$ 104,051
2017	104,051
2018	104,051
2019	<u>104,051</u>
Total Minimum Lease Payments	416,204
Less: Amount Representing Interest	<u>(86,375)</u>
Present Value of Minimum Lease Payments	<u>\$ 329,829</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2015 are comprised of the following issues:

\$3,650,000, 2005 Bonds, due in an annual installment of \$190,000 through July 15, 2015, interest at 3.30%	\$ 190,000
\$12,725,000, 2007 Bonds, due in annual installments of \$950,000 through July 15, 2017, interest at 4.25%	2,850,000
\$6,740,000, 2015 Refunding Bonds, due in annual installments of \$60,000 to \$1,140,000 through July 15, 2025, interest at 2.0% to 4.0%	<u>6,740,000</u>
	<u>\$9,780,000</u>

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 1,200,000	\$ 296,189	\$ 1,496,189
2017	1,130,000	321,463	1,451,463
2018	1,130,000	275,688	1,405,688
2019	1,135,000	230,100	1,365,100
2020	1,135,000	184,700	1,319,700
2021-2025	3,835,000	314,700	4,149,700
2026	<u>215,000</u>	<u>4,300</u>	<u>219,300</u>
	<u>\$ 9,780,000</u>	<u>\$ 1,627,140</u>	<u>\$ 11,407,140</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2015 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 130,838,539
Less: Net Debt	<u>9,780,000</u>
Remaining Borrowing Power	<u>\$ 121,058,539</u>

Advance Refunding of Debt

On April 23, 2015, the District issued \$6,740,000 in Refunding School Bonds, Series 2015 having interest rates ranging from 2.00% to 4.00%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of the 2005 and 2007 School Bonds of the District. The total bond principal defeased was \$6,860,000 and the total interest payments defeased was \$4,862,948. The net proceeds of \$7,337,922 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$477,922. This amount has been reported as a Deferred Outflow of Resources on the financial statements and amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the current and next 11 years by \$315,809 and resulted in an economic gain of \$292,198.

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Balance, <u>July 1, 2014</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2015</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 11,025,000	\$ 6,740,000	\$ 7,985,000	\$ 9,780,000	\$ 1,200,000
Add: Premium on Bonds	-	706,406	-	706,406	-
Total Bonds Payable	11,025,000	7,446,406	7,985,000	10,486,406	1,200,000
Obligations Under Lease Purchase	394,437		64,608	329,829	71,069
Compensated Absences	14,888,217		1,676,968	13,211,249	1,839,452
Net Pension Liability	<u>19,070,856</u>	<u>1,336,079</u>	-	<u>20,406,935</u>	<u>994,273</u>
Governmental Activity Long-Term Liabilities	<u>\$ 45,378,510</u>	<u>\$ 8,782,485</u>	<u>\$ 9,726,576</u>	<u>\$ 44,434,419</u>	<u>\$ 4,104,794</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

I. Short-Term Debt

The Board’s short-term activity for the fiscal year ended June 30, 2015 was as follows:

Grant Anticipation Notes

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority’s Facility construction grants. The Board’s short-term debt activity for the fiscal year ended June 30, 2015 was as follows:

<u>Purpose</u>	<u>Rate</u> %	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2015</u>
Grant Anticipation Note	1.38%	10/9/2015		\$ 15,000,000		\$ 15,000,000
Grant Anticipation Note	1.25%	10/9/2014	\$ 15,000,000	-	\$ 15,000,000	-
			<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2015	\$ 130,417	\$ 104,576	\$ 919,404
2014	126,750	94,130	898,266
2013	123,651	128,136	870,374

B. Contingent Liabilities

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

Pending Litigation – The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the spring of 2013, the general construction contractor for the Kearny High School façade project and noise abatement project filed an arbitration claim in excess of \$2 million against the Kearny Board of Education for various contract disputes.

The façade contract claim seeks recovery for alleged delay damages and disputed extra work claims that allegedly increased the project's cost per scope. The District has asserted a counterclaim of \$1.5 million for defective, non-conforming work. There have been numerous arbitration hearings and additional hearings are scheduled. Settlement is unlikely because of the Board's counterclaim. The range of this claim is between the Board recovering \$1,888,000 from the contractor or the contractor recovering \$1,922,717 plus retainage of \$104,677 from the Board. The Board also contends that it is entitled to a credit of \$493,000 for work not performed. The Board terminated the noise abatement contract for convenience due to several issues. The contractor has asserted a total termination claim of \$6.5 million. This claim has been reduced to \$2,859,253. In addition, there exists claims for payment for work alleged to have been performed by the contractor and its subcontractors. This matter has proceeded to arbitration. There is a potential that the Board has exposure to this claim, however it is premature to reasonably predict any probable outcome.

In August, 2015, the Board demanded arbitration against the architect for the noise abatement contract. The Board has asserted a \$2 million claim. This case is proceeding to arbitration. It is too early to opine on a probable outcome of this case.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2015, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

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

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

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

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

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and \$37.3 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 75.4 percent and \$13.7 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 4.24 percent for the PERS and 3.33 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.9% for PERS, 6.9% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2015 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

During the fiscal years ended June 30, 2015, 2014 and 2013 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2015	\$ 898,543	\$ 2,100,502	\$ 19,210
2014	751,858	1,604,293	18,936
2013	793,344	2,515,781	27,423

For fiscal years 2014/2015 and 2012/2013, the state contributed \$2,100,502 and \$2,515,781, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$1,604,293 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,817,963 during the fiscal year ended June 30, 2015 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

Public Employees Retirement System (PERS)

At June 30, 2015, the District reported in the statement of net position (accrual basis) a liability of \$20,406,935 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the District’s proportionate share was 0.10900 percent, which was an increase of 0.00922 from its proportionate share measured as of June 30, 2013.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,356,114 for PERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience		
Changes of Assumptions	\$ 641,704	
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments		\$ 1,216,142
Changes in Proportion and Differences Between		
District Contributions and Proportionate Share		
of Contributions	<u>1,487,000</u>	<u>-</u>
 Total	 <u>\$ 2,128,704</u>	 <u>\$ 1,216,142</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year	
Ending	
<u>June 30,</u>	
2016	\$ 87,270
2017	87,270
2018	87,270
2019	87,270
2020	391,306
Thereafter	<u>172,176</u>
	 <u>\$ 912,562</u>

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40%
	Based on Age
Thereafter	3.15-5.40%
	Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

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

KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

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

<u>Plan</u>	<u>Discount Rate</u>
PERS	5.39%

**KEARNY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$10,906,381 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2015 the State's proportionate share of the net pension liability attributable to the District is \$202,685,459. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2014.

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 -
Study Upon Which Actuarial Assumptions were Based	June 30, 2012

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans (OPEB)*, effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2014.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$53.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.7 billion for state active and retired members and \$33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**KEARNY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432, retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2015, 2014 and 2013 were \$3,334,547, \$2,630,438 and \$2,844,714, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

The Board authorized the issuance of \$15,000,000 of Grant Anticipation Notes for the purpose of financing the District's aircraft noise abatement projects. The Board has awarded the sale of said notes to Oppenheimer at an interest rate of 2.00%. These notes are dated October 8, 2015, and will mature on October 7, 2016.

NOTE 5 RESTATEMENT

On July 1, 2014, the Kearny Board of Education implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions. The Kearny Board of Education has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to recognize the District's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$19,070,856. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2014 from \$51,571,121 as originally reported to \$32,500,265 as adjusted for the effects of the change in accounting principle.

BUDGETARY COMPARISON SCHEDULES

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 46,217,348		\$ 46,217,348	\$ 46,217,348	
Interest on Capital Reserve	10,000		10,000	8,622	\$ (1,378)
Unrestricted Miscellaneous Revenues	430,000	-	430,000	573,485	143,485
Total Local Sources	46,657,348	-	46,657,348	46,799,455	142,107
Intermediate Sources					
Restricted Miscellaneous Revenues	62,000	-	62,000	50,422	(11,578)
State Sources					
Equalization Aid	26,090,104		26,090,104	26,090,104	
Special Education Aid	3,528,116		3,528,116	3,528,116	
Security Aid	349,488		349,488	349,488	
Transportation Aid	50,657		50,657	50,657	
Other State Aids	616,280		616,280	616,280	
Extraordinary Aid	204,562		204,562	303,728	99,166
On Behalf TPAF (Non Budgeted)					
NCGI Premium				140,979	140,979
Pension Contribution				1,959,523	1,959,523
Post Retirement Medical Contributions				3,334,547	3,334,547
Reimbursed Social Security Contribution	-	-	-	2,817,963	2,817,963
Total State Sources	30,839,207	-	30,839,207	39,191,385	8,352,178
Federal Sources					
Medicaid Assistance Program	110,825	-	110,825	291,605	180,780
Total Federal Sources	110,825	-	110,825	291,605	180,780
Total Revenues	77,669,380	-	77,669,380	86,332,867	8,663,487
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	2,054,889	90,842	2,145,731	2,141,845	3,886
Grades 1-5	10,670,098	(315,310)	10,354,788	10,330,089	24,699
Grades 6-8	6,239,245	(90,047)	6,149,198	6,126,358	22,840
Grades 9-12	8,816,138	222,203	9,038,341	9,024,210	14,131
Regular Programs - Home Instruction					
Salaries of Teachers	125,622		125,622	122,836	2,786
Purchased Professional Educational Services	50,700		50,700	29,396	21,304
Regular Programs - Undistributed Instruction					
Purchased Professional Educational Services	256,360	16,677	273,037	383,194	(110,157)
Other Purchased Services	269,534	(49,677)	219,857	203,465	16,392
General Supplies	1,066,143	302,710	1,368,853	1,249,532	119,321
Textbooks	351,116	87,914	439,030	391,303	47,727
Other Objects	122,483	27,801	150,284	101,606	48,678
Total Regular Programs	30,022,328	293,113	30,315,441	30,103,834	211,607
Learning /Language Disabilities					
Salaries of Teachers	831,509	117,021	948,530	948,530	
Other Salaries for Instruction	329,573	195,702	525,275	525,275	
General Supplies	9,000	(267)	8,733	4,459	4,274
Other Objects	1,800	-	1,800	-	1,800
Total Learning /Language Disabilities	1,171,082	312,456	1,483,538	1,478,264	5,274

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Behavioral Disabilities					
Salaries of Teachers	\$ 127,102	\$ 746	\$ 127,848	\$ 127,848	
General Supplies	3,000		3,000	2,618	\$ 382
Textbooks	1,000	-	1,000	953	47
Total Behavioral Disabilities	131,102	746	131,848	131,419	429
 Resource Room/Resource Center					
Salaries of Teachers	3,052,623	388,003	3,440,626	3,440,626	
Other Salaries for Instruction	551,508	(157,305)	394,203	394,203	
General Supplies	5,000		5,000	4,468	532
Textbooks	5,000	-	5,000	-	5,000
Total Resource Room/Resource Center	3,614,131	230,698	3,844,829	3,839,297	5,532
 Preschool Disabilities - Part - Time					
Salaries of Teachers	92,179	127,000	219,179	216,053	3,126
Other Salaries for Instruction	38,945	(37,374)	1,571	1,571	
General Supplies	4,000	361	4,361	3,262	1,099
Total Preschool Disabilities - Part - Time	135,124	89,987	225,111	220,886	4,225
Total Special Education	5,051,439	633,887	5,685,326	5,669,866	15,460
 Basic Skills/Remedial					
Salaries of Teachers	902,937	(401,455)	501,482	477,810	23,672
General Supplies	36,500	(35,882)	618	618	
Textbooks	4,000		4,000	-	4,000
Other Objects	-	260	260	260	-
Total Basic Skills/Remedial	943,437	(437,077)	506,360	478,688	27,672
 Bilingual Education					
Salaries of Teachers	1,049,235	(35,602)	1,013,633	1,013,633	
General Supplies	7,500	6,000	13,500	13,259	241
Textbooks	6,000	(6,000)	-	-	-
Total Bilingual Education	1,062,735	(35,602)	1,027,133	1,026,892	241
 Vocational Programs- Local - Instruction					
Salaries of Teachers	279,331	4,187	283,518	283,518	
General Supplies	30,000	27,384	57,384	49,926	7,458
Total Vocational Programs- Local - Instruction	309,331	31,571	340,902	333,444	7,458
 School Sponsored Co/Extra Curricular Activities					
Salaries	138,995	(28,828)	110,167	109,448	719
Purchased Services	20,000	-	20,000	15,059	4,941
Total School Sponsored Co/Extra Curricular Activities	158,995	(28,828)	130,167	124,507	5,660
 School Sponsored Athletics					
Salaries	484,905	7,351	492,256	487,490	4,766
Purchased Services	256,068	(28,224)	227,844	216,149	11,695
Supplies and Materials	81,500	(7,826)	73,674	73,674	-
Other Objects	124,939	48,410	173,349	155,603	17,746
Total School Sponsored Athletics	947,412	19,711	967,123	932,916	34,207
Total - Instruction	38,495,677	476,775	38,972,452	38,670,147	302,305

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within State-Special	\$ 146,225	\$ (20,179)	\$ 126,046	\$ 125,941	\$ 105
Tuition to CSSD & Regional Day Schools	101,495	31,329	132,824	132,824	
Tuition to Private School for Disabled W/I	4,239,322	(495,527)	3,743,795	3,671,871	71,924
Tuition - State Facilities	-	57,081	57,081	57,081	-
Total Undistributed Expenditures - Instruction	4,487,042	(427,296)	4,059,746	3,987,717	72,029
Attendance and Social Work					
Salaries	18,270	-	18,270	17,217	1,053
Total Attendance and Social Work	18,270	-	18,270	17,217	1,053
Health Services					
Salaries	659,545	59,909	719,454	716,760	2,694
Purchased Professional and Technical Services	8,000	9,088	17,088	17,088	
Other Purchased Services	100,500	50,265	150,765	128,696	22,069
Supplies and Materials	10,000	10,438	20,438	20,435	3
Total Health Services	778,045	129,700	907,745	882,979	24,766
Speech, OT, PT & Related Services					
Purchased Professional - Educational Services	600,000	133,000	733,000	712,481	20,519
Total Speech, OT, PT & Related Services	600,000	133,000	733,000	712,481	20,519
Guidance					
Salaries of Other Professional Staff	1,478,430	293	1,478,723	1,478,723	
Salaries of Secretarial and Clerical Assistants	101,302	10,162	111,464	111,464	
Purchased Professional-Educational Services	8,000		8,000	5,010	2,990
Supplies and Materials	1,000	-	1,000	264	736
Total Guidance	1,588,732	10,455	1,599,187	1,595,461	3,726
Child Study Teams					
Salaries of Other Professional Staff	1,448,975	(18,437)	1,430,538	1,425,062	5,476
Salaries of Secretarial and Clerical Assistants	112,816	703	113,519	113,519	
Other Purchased Professional & Technical Services	9,000	(6,703)	2,297	1,969	328
Supplies and Materials	25,000	13,703	38,703	28,640	10,063
Total Child Study Teams	1,595,791	(10,734)	1,585,057	1,569,190	15,867
Improvement of Instructional Service					
Salaries of Secretarial and Clerical Assistants		23,838	23,838	23,838	
Salaries of Facilitators, Math & Literacy Coaches	87,574	55,242	142,816	111,605	31,211
Total Improvement of Instructional Service	87,574	79,080	166,654	135,443	31,211
Educational Media Services/School Library					
Salaries	794,380	(6,004)	788,376	788,376	
Supplies and Materials	29,592	9	29,601	27,947	1,654
Total Educational Media Services/School Library	823,972	(5,995)	817,977	816,323	1,654
Instructional Staff Training Services					
Purchased Professional-Educational Services	15,000	(210)	14,790	7,445	7,345
Supplies and Materials	7,000	221	7,221	6,734	487
Other Objects	6,300	210	6,510	6,210	300
Total Improvement of Instructional Service	28,300	221	28,521	20,389	8,132

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT (Continued)					
Support Services General Administration					
Salaries	\$ 1,223,092	\$ 28,235	\$ 1,251,327	\$ 1,227,400	\$ 23,927
Legal Services	300,000	50,000	350,000	277,053	72,947
Audit Fees	42,000		42,000	41,985	15
Architectural/Engineering Services	100,000	57,797	157,797	94,051	63,746
Other Purchased Professional Services	80,000	23,680	103,680	67,065	36,615
Purchased Technical Services	87,500	4,000	91,500	76,660	14,840
Communications/Telephone	157,000	7,450	164,450	125,216	39,234
Miscellaneous Purchased Services	97,518		97,518	96,257	1,261
General Supplies	13,000	14,095	27,095	25,757	1,338
BOE In-House Training/Meeting Supplies	2,000	-	2,000	1,117	883
Judgments Against the School District		44,972	44,972	44,972	
Miscellaneous Expenditures	57,950	3,914	61,864	51,442	10,422
BOE Membership Dues and Fees	29,486	1,200	30,686	29,163	1,523
Total Support Services General Administration	<u>2,189,546</u>	<u>235,343</u>	<u>2,424,889</u>	<u>2,158,138</u>	<u>266,751</u>
Support Services School Administration					
Salaries of Principals/Asst. Principals	3,732,520	116,452	3,848,972	3,775,509	73,463
Salaries of Secretarial and Clerical Assistants	1,152,097	111,465	1,263,562	1,130,761	132,801
Other Purchased Services	49,850	10,000	59,850	29,249	30,601
Supplies and Materials	25,000		25,000	9,251	15,749
Other Objects	75,660	-	75,660	66,737	8,923
Total Support Services School Administration	<u>5,035,127</u>	<u>237,917</u>	<u>5,273,044</u>	<u>5,011,507</u>	<u>261,537</u>
Central Services					
Salaries	640,394	39,165	679,559	679,559	
Purchased Professional Services	40,000	15,835	55,835	45,333	10,502
Purchased Technical Services	11,500		11,500	295	11,205
Supplies and Materials	20,000	78,778	98,778	98,663	115
Interest on Current Loans	186,980		186,980	186,979	1
Other Objects	5,000	5,201	10,201	3,022	7,179
Total Central Services	<u>903,874</u>	<u>138,979</u>	<u>1,042,853</u>	<u>1,013,851</u>	<u>29,002</u>
Admin. Info. Technology					
Salaries	433,085	50,000	483,085	453,417	29,668
Purchased Technical Services	4,000		4,000	4,000	
Supplies and Materials	1,000	-	1,000	843	157
Total Admin. Info. Technology	<u>438,085</u>	<u>50,000</u>	<u>488,085</u>	<u>454,260</u>	<u>33,825</u>
Required Maintenance for School Facilities					
Salaries	1,166,800	264,465	1,431,325	1,427,539	3,786
Cleaning, Repair and Maintenance Services	678,960	107,294	786,254	732,656	53,598
General Supplies	262,140	187,512	449,652	297,775	151,877
Total Required Maint. for School Facilities	<u>2,107,960</u>	<u>559,271</u>	<u>2,667,231</u>	<u>2,457,970</u>	<u>209,261</u>
Custodial Services					
Salaries	2,918,747	(65,187)	2,853,560	2,844,684	8,876
Purchased Property Services		70,227	70,227	54,086	16,141
Insurance	314,050	(8,813)	305,237	304,000	1,237
General Supplies	171,786	133,898	305,684	225,609	80,075
Energy (Electricity)	800,000	(30,029)	769,971	769,971	
Energy (Natural Gas)	720,000	(177,430)	542,570	542,570	
Other Objects	40,000	(3,800)	36,200	24,558	11,642
Total Custodial Services	<u>4,964,583</u>	<u>(81,134)</u>	<u>4,883,449</u>	<u>4,765,478</u>	<u>117,971</u>
Care and Upkeep of Grounds					
Salaries	189,015	(17,000)	172,015	167,690	4,325
Total Care and Upkeep of Grounds	<u>189,015</u>	<u>(17,000)</u>	<u>172,015</u>	<u>167,690</u>	<u>4,325</u>
Security					
Salaries	173,400	33,971	207,371	207,371	-
Total Security	<u>173,400</u>	<u>33,971</u>	<u>207,371</u>	<u>207,371</u>	<u>-</u>

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Special Ed.	\$ 437,310	\$ (43,038)	\$ 394,272	\$ 384,251	\$ 10,021
Salaries for Pupil Transportation (Other Than Between and School)	34,650	12,195	46,845	46,845	-
Cleaning, Repair & Maint. Services	50,000	14,629	64,629	63,467	1,162
Contracted Services (Between Home and School) Vendors	984,000		984,000	981,151	2,849
Contracted Services (Other than Between Home and School) - Vendors	11,000	(2,757)	8,243	2,835	5,408
Misc. Purchased Services- Transportation	10,150		10,150	5,150	5,000
General Supplies	2,000	-	2,000	1,678	322
Transportation Supplies	2,000	-	2,000	1,033	967
Total Student Transportation Services	1,531,110	(18,971)	1,512,139	1,486,410	25,729
Unallocated Benefits					
Group Insurance	23,500		23,500	18,311	5,189
Social Security Contribution	1,238,640		1,238,640	1,174,839	63,801
Other Retirement Contributions - PERS	976,735	(20,000)	956,735	932,597	24,138
Other Retirement Contributions - Regular (DCRP)		20,000	20,000	19,210	790
Workmen's Compensation	549,176		549,176	547,754	1,422
Health Benefits	10,257,665	(1,056,000)	9,201,665	8,956,621	245,044
Tuition Reimbursement	51,000	-	51,000	24,655	26,345
Total Unallocated Benefits	13,096,716	(1,056,000)	12,040,716	11,673,987	366,729
On Behalf TPAF (Non Budgeted)					
NCGI Premium				140,979	(140,979)
Pension Contribution				1,959,523	(1,959,523)
Post Retirement Medical Contributions				3,334,547	(3,334,547)
Social Security Contribution				2,817,963	(2,817,963)
Total TPAF Contributions	-	-	-	8,253,012	(8,253,012)
Total Undistributed Expenditures	40,637,142	(9,193)	40,627,949	47,386,874	(6,758,925)
Transfer of Funds to Charter Schools	21,064	-	21,064	21,064	-
Total Current Expenditures	79,153,883	467,582	79,621,465	86,078,085	(6,456,620)
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	10,000	-	10,000	-	10,000
Equipment					
Undistributed Expenditures					
Undistributed Expenditures - Instruction		9,382	9,382	9,382	-
Support Services - Students - Reg.		8,700	8,700	8,700	-
Non-Instr. Services		9,000	9,000	9,000	-
School Sponsored and Other Instructional Programs		17,832	17,832	4,495	13,337
Required Maintenance for School Facilities	-	7,318	7,318	3,978	3,340
Total Equipment	-	52,232	52,232	35,555	16,677
Facilities Acquisition and Construction Services					
Construction Services		499,907	499,907	311,000	188,907
Assessment for Debt Service on SDA Funding	194,876	-	194,876	194,876	-
Total Facilities Acquis. and Const. Services	194,876	499,907	694,783	505,876	188,907
Total Capital Outlay	204,876	552,139	757,015	541,431	215,584

**KEARNY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
SPECIAL SCHOOLS					
Adult Education - Local - Instruction					
Salaries of Teachers	\$ 20,420	\$ 6,170	\$ 26,590	\$ 26,590	-
Purchased Professional and Technical Services	17,760	(6,170)	11,590	11,530	\$ 60
General Supplies	21,820	-	21,820	19,033	2,787
	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>57,153</u>	<u>2,847</u>
Total Adult Education - Local - Instruction					
Total Special Schools	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>57,153</u>	<u>2,847</u>
Total Expenditures	<u>79,418,759</u>	<u>1,019,721</u>	<u>80,438,480</u>	<u>86,676,669</u>	<u>(6,238,189)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,749,379)</u>	<u>(1,019,721)</u>	<u>(2,769,100)</u>	<u>(343,802)</u>	<u>2,425,298</u>
Other Financing Sources (Uses)					
Operating Transfers Out-Food Service	(301,610)	(210,577)	(512,187)	(508,262)	3,925
Operating Transfers In - Capital Projects Fund				1,819	1,819
Operating Transfers Out-Preschool Education	(503,015)	-	(503,015)	(503,015)	-
Total Other Financing Sources (Uses)	<u>(804,625)</u>	<u>(210,577)</u>	<u>(1,015,202)</u>	<u>(1,009,458)</u>	<u>5,744</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	<u>(2,554,004)</u>	<u>(1,230,298)</u>	<u>(3,784,302)</u>	<u>(1,353,260)</u>	<u>2,431,042</u>
Fund Balances, Beginning of Year	<u>13,859,395</u>	<u>-</u>	<u>13,859,395</u>	<u>13,859,395</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 11,305,391</u>	<u>\$ (1,230,298)</u>	<u>\$ 10,075,093</u>	<u>\$ 12,506,135</u>	<u>\$ 2,431,042</u>
Recapitulation of Fund Balance					
Nonspendable					
Prepays				\$ 111,116	
Restricted					
Capital Reserve				8,413,359	
Adult Education Program				52,264	
Excess Surplus, Designated for Subsequent Year's Budget				1,002,249	
Committed					
Encumbrances				423,991	
Assigned					
Designated for Subsequent Year's Budget				557,375	
Designated for SFM/ARRA				62,762	
Encumbrances				195,154	
Unassigned				<u>1,687,865</u>	
Fund Balance Per Governmental Funds (Budgetary)				12,506,135	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Not Recognized on GAAP Basis (June 30, 2015)				<u>3,340,199</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 9,165,936</u>	

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXHIBIT C-2

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State Sources	\$ 1,347,369	\$ 7,668	\$ 1,355,037	\$ 777,751	\$ (577,286)
Local Sources		27,654	27,654	15,169	(12,485)
Federal Sources	<u>2,314,432</u>	<u>703,716</u>	<u>3,018,148</u>	<u>2,963,656</u>	<u>(52,492)</u>
Total Revenues	<u>3,661,801</u>	<u>739,038</u>	<u>4,400,839</u>	<u>3,758,576</u>	<u>(642,263)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	2,853,125	(1,341,827)	1,511,298	1,509,741	1,557
Other Salaries for Instruction	99,189	182,860	282,049	282,049	-
Purchased Prof. and Tech. Svcs.	159,067	(67,736)	91,331	32,864	58,467
Other Purchased Services		-		-	-
Tuition		1,249,823	1,249,823	1,247,256	2,567
General Supplies	10,000	207,180	217,180	204,505	12,675
Textbooks	4,848	812	5,660	5,653	7
Other Objects	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>2,683</u>	<u>317</u>
Total Instruction	<u>3,126,229</u>	<u>234,112</u>	<u>3,360,341</u>	<u>3,284,751</u>	<u>75,590</u>
Support Services					
Salaries of Program Directors	235,949	(187,441)	48,508	48,508	-
Salaries of Other Professional Staff		23,560	23,560	6,943	16,617
Salaries of Secretarial and Clerical Asst.		29,162	29,162	29,162	-
Other Salaries	6,825	30,334	37,159	37,159	-
Salaries of Parent Involvement		4,851	4,851	4,851	-
Salaries of Master Teacher	107,018	28,315	135,333	135,333	-
Personal Services - Employee Benefits	179,012	296,323	475,335	452,480	22,855
Purchased Prof./Educ. Svcs.		131,169	131,169	123,790	7,379
Purchased Prof. and Technical Svcs.		54,203	54,203	52,203	2,000
Purchased Educ. Svcs.- Contracted PreK	2,500	7,347	9,847	-	9,847
Travel	500	1,800	2,300	400	1,900
Other Purchased Services		29,975	29,975	29,375	600
Supplies and Materials	2,000	42,625	44,625	42,790	1,835
Other Objects	<u>-</u>	<u>3,749</u>	<u>3,749</u>	<u>3,124</u>	<u>625</u>
Total Support Services	<u>533,804</u>	<u>495,972</u>	<u>1,029,776</u>	<u>966,118</u>	<u>63,658</u>
Facilities Acquisition and Const. Serv.					
Instructional Equipment	1,768	1,272	3,040	3,040	-
Non Instructional Equipment	<u>-</u>	<u>7,682</u>	<u>7,682</u>	<u>7,682</u>	<u>-</u>
Total Facilities Acq. and Const. Serv.	<u>1,768</u>	<u>8,954</u>	<u>10,722</u>	<u>10,722</u>	<u>-</u>
Total Expenditures	<u>3,661,801</u>	<u>739,038</u>	<u>4,400,839</u>	<u>4,261,591</u>	<u>139,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(503,015)	(503,015)
Transfers In - General Fund	-	-	-	503,015	503,015
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Revenues (budgetary basis)	(C-1) \$ 86,332,867	(C-2) \$ 3,758,576
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State Aid payments recognized for GAAP Purposes not recognized for Budgetary statements. (June 30, 2014)	3,258,081	
State Aid payments recognized for budgetary purposes not recognized for GAAP statements. (June 30, 2015)	<u>(3,340,199)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>86,250,749</u>	(B-2) \$ <u>3,758,576</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule	(C-1) \$ 86,676,669	(C-2) \$ 4,261,591
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>86,676,669</u>	(B-2) \$ <u>4,261,591</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.10900%	0.09978%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 20,406,935	\$ 19,070,856
District's Covered-Employee Payroll	\$ 7,411,246	\$ 7,268,063
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	275.35%	262.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%

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

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 898,543	\$ 751,858
Contributions in Relation to the Contractually Required Contributions	<u>898,543</u>	<u>751,858</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	\$ 7,411,246	\$ 7,268,063
Contributions as a Percentage of Covered-Employee Payroll	12.12%	10.34%

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

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

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

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00%	0.00%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the District	<u>202,685,459</u>	<u>196,772,632</u>
Total	<u>\$ 202,685,459</u>	<u>\$ 196,772,632</u>
District's Covered-Employee Payroll	\$ 39,625,977	\$ 38,007,372
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

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

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

**KEARNY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Change of Benefit Terms: None.

Change of Assumptions: The discount rate changed from the District's rate as of June 30, 2014 to the District's rate as of June 30, 2015, in accordance with GASB Statement No. 67.

SPECIAL REVENUE FUND

KEARNY BOARD OF EDUCATION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	No Child Left Behind (NCLB)				Carl D. Perkins	IDEA		Sub-Total Page 2	Grand Total
	Title I	Title II-A	Title III	Title III Immigrant		Basic	Preschool		
REVENUES									
Intergovernmental									
State								\$ 777,751	\$ 777,751
Local								15,169	15,169
Federal	\$ 1,302,687	\$ 129,976	\$ 73,796	\$ 50,686	\$ 59,967	\$ 1,322,942	\$ 25,602	-	2,965,656
Total Revenues	1,302,687	129,976	73,796	50,686	59,967	1,322,942	25,602	792,920	3,758,576
EXPENDITURES									
Instruction									
Salaries of Teachers	918,648	75,285	34,959					480,849	1,509,741
Other Salaries for Instruction	81,731							200,318	282,049
Purchased Prof. and Technical Services					1,569			31,295	32,864
Tuition						1,221,654	25,602	-	1,247,256
General Supplies	25,303		33,281	34,882	58,398	30,027		22,614	204,505
Textbooks								5,653	5,653
Other Objects	-	-	-	-	-	2,683	-	-	2,683
Total Instruction	1,025,682	75,285	68,240	34,882	59,967	1,254,364	25,602	740,729	3,284,751
Support Services									
Salaries of Supervisors/Program Directors								48,508	48,508
Salaries of Other Prof. Staff						6,943		-	6,943
Salaries of Secretarial & Clerical Asst.								29,162	29,162
Other Salaries								37,159	37,159
Salaries of Parent Involvement	4,851								4,851
Salaries of Master Teacher		31,000						104,333	135,333
Personal Svcs-Employee Benefits	255,051	22,957	2,493			1,500		170,479	452,480
Purchased Prof. Tech. Services						52,203		-	52,203
Purchased Prof. Educ. Services	7,671	734	767	14,738				99,880	123,790
Travel								400	400
Other Purchased Services			1,848			884		26,643	29,375
Supplies and Materials	9,307		448	1,066		7,048		24,921	42,790
Other Objects	125	-	-	-	-	-	-	2,999	3,124
Total Support Services	277,005	54,691	5,556	15,804	-	68,578	-	544,484	966,118
Facilities Acq. and Construction									
Instructional Equip.								3,040	3,040
Non Instructional Equip.								7,682	7,682
Total Facilities Acq. & Constr.	-	-	-	-	-	-	-	10,722	10,722
Total Expenditures	1,302,687	129,976	73,796	50,686	59,967	1,322,942	25,602	1,295,935	4,261,591
(Deficiency) of Revenues (Under) Expenditures	-	-	-	-	-	-	-	(503,015)	(503,015)
Transfer In - General Fund								503,015	503,015
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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KEARNY BOARD OF EDUCATION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Chapter 192/193 Services										Preschool Education Aid	Sub-Total to Page 1
	Private Donations	SYBSPG	Nonpublic Nursing Services	Nonpublic Textbooks	Nonpublic Technology	ESL	Compensatory Education	Supplemental Instruction	Exam & Classification	Corrective Speech		
REVENUES												
Intergovernmental		\$ 288.187	\$ 9.011	\$ 5.653	\$ 3.040	\$ 2.558	\$ 4.479	\$ 8.632	\$ 8.911	\$ 6.715	\$ 440.565	\$ 777.751
State												15.169
Local	\$ 15.169											
Federal	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>15.169</u>	<u>288.187</u>	<u>9.011</u>	<u>5.653</u>	<u>3.040</u>	<u>2.558</u>	<u>4.479</u>	<u>8.632</u>	<u>8.911</u>	<u>6.715</u>	<u>440.565</u>	<u>792.920</u>
EXPENDITURES												
Instruction												
Salaries of Teachers											480.849	480.849
Other Salaries for Instruction											200.318	200.318
Purchased Prof. and Technical Services						2.558	4.479	8.632	8.911	6.715	-	31.295
General Supplies	12.987										9.627	22.614
Textbooks				5.653								5.653
Other Objects	-	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>12.987</u>	<u>-</u>	<u>-</u>	<u>5.653</u>	<u>-</u>	<u>2.558</u>	<u>4.479</u>	<u>8.632</u>	<u>8.911</u>	<u>6.715</u>	<u>690.794</u>	<u>740.729</u>
Support Services												
Salaries of Supervisors/Program Directors		48.508										48.508
Salaries of Other Prof. Staff												-
Salaries of Secretarial & Clerical Asst.		29.162										29.162
Other Salaries		28.788	8.371									37.159
Salaries of Master Teacher											104.333	104.333
Personal Svcs-Employee Benefits		25.525	640								144.314	170.479
Purchased Prof./Educ. Svcs.		99.880										99.880
Purchased Prof. and Technical Svcs.												-
Travel		400										400
Other Purchased Services		26.643										26.643
Supplies and Materials	2.182	18.600									4.139	24.921
Other Objects	-	2.999	-	-	-	-	-	-	-	-	-	2.999
Total Support Services	<u>2.182</u>	<u>280.505</u>	<u>9.011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252.786</u>	<u>544.484</u>
Facilities Acq. and Construction												
Instructional Equip.					3.040							3.040
Non Instructional Equip	-	7.682	-	-	-	-	-	-	-	-	-	7.682
Total Facilities Acq. & Constr.	<u>-</u>	<u>7.682</u>	<u>-</u>	<u>-</u>	<u>3.040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.722</u>
Total Expenditures	<u>15.169</u>	<u>288.187</u>	<u>9.011</u>	<u>5.653</u>	<u>3.040</u>	<u>2.558</u>	<u>4.479</u>	<u>8.632</u>	<u>8.911</u>	<u>6.715</u>	<u>943.580</u>	<u>1,295.935</u>
(Deficiency) of Revenues (Under) Expenditures	-	-	-	-	-	-	-	-	-	-	(503.015)	(503.015)
Budgeted Transfer from General Fund											503.015	503.015
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**KEARNY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance
Instruction					
Salaries of Teachers	\$ 538,693	\$ (57,844)	\$ 480,849	\$ 480,849	\$ -
Other Salaries for Instruction	99,189	101,129	200,318	200,318	-
General Supplies	10,000	10,193	20,193	9,627	10,566
Total Instruction	647,882	53,478	701,360	690,794	10,566
Support Services					
Salaries of Master Teachers	107,018	(2,685)	104,333	104,333	-
Personal Services - Employee Benefits	179,012	(21,303)	157,709	144,314	13,395
Purchased Ed Services - Contracted Pre K	2,500	7,347	9,847		9,847
Travel	500	1,000	1,500		1,500
Supplies and Materials	2,000	3,762	5,762	4,139	1,623
Other Objects	-	500	500	-	500
Total Support Services	291,030	(11,379)	279,651	252,786	26,865
Total Expenditures	\$ 938,912	\$ 42,099	\$ 981,011	\$ 943,580	\$ 37,431

Calculation of Budget Carryover

Total Revised 2014-2015 Preschool Education Aid Allocation	\$ 435,897
Add:	
Actual Preschool Education Carryover (June 30, 2014)	119,062
Actual Early Childhood Program Aid Carryover	1,669,838
Prior Year Cancelled Payables	25
Budgeted Transfer from the General Fund 2014-2015	503,015
Total Preschool Education Aid Funds Available for 2014-2015 Budget	2,727,837
Less: 2014-2015 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	981,011
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2015	1,746,826
Add: June 30, 2015 Unexpended Preschool Education Aid	37,431
2014-2015 Carryover - Preschool Education Aid /Preschool Programs	<u>\$ 1,784,257</u>
2014-2015 Preschool Education Aid Carryover Budgeted in 2015-2016	<u>\$ 502,460</u>

CAPITAL PROJECTS FUND

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Amount Authorized</u>	<u>Adjustments</u>	<u>Amended Authorization</u>	<u>Expenditures to Date</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Balance June 30, 2015</u>
Port Authority of NY and NJ Projects: Aircraft Noise Abatement - Lincoln School	\$ 17,449,305	\$ 2,618,604	\$ 20,067,909	\$ 19,661,358		\$ 406,551
Aircraft Noise Abatement - Kearny High School	44,039,788		44,039,788	21,255,549	\$ 1,961,292	20,822,947
Kearny High School - Facade Project	6,083,708		6,083,708	5,970,247	-	113,461
Franklin School Annex and Board of Education Offices	3,044,211	18,713	3,062,924	2,454,505	595,063	13,356
Alterations to Franklin Elementary School	<u>636,750</u>	<u>(567,963)</u>	<u>68,787</u>	<u>25,160</u>	<u>22,700</u>	<u>20,927</u>
	<u>\$ 71,253,762</u>	<u>\$ 2,069,354</u>	<u>\$ 73,323,116</u>	<u>\$ 49,366,819</u>	<u>\$ 2,579,055</u>	<u>\$ 21,377,242</u>
Unexpended Project Authorizations						\$ 21,377,242
Add: Reserve for Payment of Debt Service						<u>12,215</u>
Fund Balance (Budgetary Basis)						<u>\$ 21,389,457</u>

Analysis of Restricted Fund Balance:

Encumbrances	\$ 4,634,921
Reserve for Debt Service	12,215
Reserve for Capital Projects	<u>16,742,321</u>
Fund Balance, Budgetary Basis	21,389,457
Unearned Revenue	<u>(20,889,499)</u>
Fund Balance, GAAP Basis	<u>\$ 499,958</u>

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Revenues and Other Financing Sources

Interest on Investments	\$ <u>1,819</u>
 Total Revenues	 <u>1,819</u>

Expenditures and Other Financing Uses

Facilities Acquisition and Construction Services	2,549,127
Purchased Professional and Technical Services	8,428
Supplies and Materials	21,500
Transfer to General Fund	<u>1,819</u>
 Total Expenditures and Other Financing Uses	 <u>2,580,874</u>

Excess (Deficiency) of Revenue Over (Under) Expenditures Other Financing Sources (Uses)	(2,579,055)
 Fund Balance, July 1, 2014	 <u>23,968,512</u>
 Fund Balance, June 30, 2015	 <u>\$ 21,389,457</u>

Reconciliation to Governmental Funds Statements (GAAP Basis):

Fund Balance (Budgetary Basis)	\$ 21,389,457
 Less:	
Unearned Revenue	<u>20,889,499</u>
 Fund Balance Per Governmental Funds (GAAP Basis)	 <u>\$ 499,958</u>

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
LINCOLN SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	\$ 10,557,105		\$ 10,557,105	\$ 10,557,105
Local Sources - Port Authority of NY/NJ	2,569,548		2,569,548	2,569,548
State Sources- SCC Grant	6,139,334		6,139,334	6,139,334
Transfer from Capital Outlay	801,922	-	801,922	801,922
	<u>20,067,909</u>	<u>-</u>	<u>20,067,909</u>	<u>20,067,909</u>
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	18,540,664		18,540,664	18,692,909
Purchased Professional and Technical Services	1,120,694	-	1,120,694	1,375,000
	<u>19,661,358</u>	<u>-</u>	<u>19,661,358</u>	<u>20,067,909</u>
Excess of Revenues Over Expenditures	<u>\$ 406,551</u>	<u>\$ -</u>	<u>\$ 406,551</u>	<u>\$ -</u>

Additional Project Information:

Project Number	
FAA/Port Authority	EWR 99-04 & 113-07
SDA	2410-090-05-3000
Grant Date	August 9, 2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 17,449,305
Additional Authorized Cost	\$ 2,618,604
Revised Authorized Cost	\$ 20,067,909

Percentage Increase Over Original
Authorized Cost

15.01%

Percentage Completion

100.00%

Original Target Completion Date

August 31, 2010

Revised Target Completion Date

September 30, 2011

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - AIRCRAFT NOISE ABATEMENT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Federal Sources - FAA Grant	\$ 21,145,025		\$ 21,145,025	\$ 21,145,025
Local Sources - Port Authority of NY/NJ	5,286,256		5,286,256	5,286,256
State Sources- SCC Grant	17,608,507	-	17,608,507	17,608,507
	<u>44,039,788</u>	<u>-</u>	<u>44,039,788</u>	<u>44,039,788</u>
Total Revenues				
Expenditures and Other Financing Uses				
Facilities Acquisition and Construction Services	13,781,723	\$ 1,961,292	15,743,015	36,539,788
Purchased Professional and Technical Services	7,473,826	-	7,473,826	7,500,000
	<u>21,255,549</u>	<u>1,961,292</u>	<u>23,216,841</u>	<u>44,039,788</u>
Total Expenditures				
Excess of Revenues Over Expenditures	<u>\$ 22,784,239</u>	<u>\$ (1,961,292)</u>	<u>\$ 20,822,947</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
FAA/Port Authority	EWR 84-02 & 99-04
SDA	2410-050-04-3000
Grant Date	May 4, 2005
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 44,039,788
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 44,039,788

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	52.72%
Original Target Completion Date	October 31, 2013
Revised Target Completion Date	September 1, 2017

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
KEARNY HIGH SCHOOL - FAÇADE PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Additional Project Information:

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

Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	98.14%
Original Target Completion Date	April 30, 2012
Revised Target Completion Date	June 30, 2014

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN ANNEX AND BOARD OF EDUCATION OFFICES
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 873,582		\$ 873,582	\$ 873,582
Transfer from Capital Outlay	<u>2,170,629</u>	<u>\$ 18,713</u>	<u>2,189,342</u>	<u>2,189,342</u>
 Total Revenues	 <u>3,044,211</u>	 <u>18,713</u>	 <u>3,062,924</u>	 <u>3,062,924</u>
Expenditures and Other Financing Uses				
Land Acquisition	975,000		975,000	975,000
Facilities Acquisition and Construction Services	1,176,457	\$ 587,835	1,764,292	1,608,913
Purchased Professional and Technical Services	291,160	7,228	298,388	300,000
Other Objects	<u>11,888</u>	<u>-</u>	<u>11,888</u>	<u>179,011</u>
 Total Expenditures	 <u>2,454,505</u>	 <u>595,063</u>	 <u>3,049,568</u>	 <u>3,062,924</u>
 Excess of Revenues Over Expenditures	 <u>\$ 589,706</u>	 <u>\$ (576,350)</u>	 <u>\$ 13,356</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	2410-X02-09-1002
Grant Date	July 29, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 3,044,211
Additional Authorized Cost	\$ 18,713
Revised Authorized Cost	\$ 3,062,924
 Percentage Increase Over Original Authorized Cost	 0.61%
Percentage Completion	99.56%
Original Target Completion Date	June 30, 2011
Revised Target Completion Date	December 31, 2015

**KEARNY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ALTERATIONS TO FRANKLIN ELEMENTARY SCHOOL
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 47,250		\$ 47,250	\$ 47,250
Transfer from Capital Outlay	<u>40,250</u>	\$ (18,713)	<u>21,537</u>	<u>21,537</u>
 Total Revenues	 <u>87,500</u>	 <u>(18,713)</u>	 <u>68,787</u>	 <u>68,787</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	25,160	\$ 1,200	26,360	41,287
Supplies and Materials	<u>-</u>	<u>21,500</u>	<u>21,500</u>	<u>27,500</u>
 Total Expenditures	 <u>25,160</u>	 <u>22,700</u>	 <u>47,860</u>	 <u>68,787</u>
 Excess of Revenues Over Expenditures	 <u>\$ 62,340</u>	 <u>\$ (41,413)</u>	 <u>\$ 20,927</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	2410-079-09-2001
Grant Date	July 31, 2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 636,750
Additional Authorized Cost	\$ (567,963)
Revised Authorized Cost	\$ 68,787

Percentage Decrease Over Original Authorized Cost	-89.20%	(A)
Percentage Completion	69.58%	
Original Target Completion Date	September 30, 2011	
Revised Target Completion Date	August 31, 2014	

(A) Scope of project was reduced

ENTERPRISE FUND

**KEARNY BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**KEARNY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET POSITION
AS OF JUNE 30, 2015**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 283,486	\$ 117,915	\$ 401,401
Total Assets	<u>\$ 283,486</u>	<u>\$ 117,915</u>	<u>\$ 401,401</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 116,794	\$ 116,794
Due to Other Funds		1,121	1,121
Due to Student Groups	\$ 283,486	-	<u>283,486</u>
Total Liabilities	<u>\$ 283,486</u>	<u>\$ 117,915</u>	<u>\$ 401,401</u>

**KEARNY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**KEARNY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>School</u>	<u>Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2015</u>
ELEMENTARY SCHOOLS				
Schuyler School	\$ 6,997	\$ 10,750	\$ 8,381	\$ 9,366
Schuyler Student Council	558		558	-
Franklin School	7,767	54,500	55,826	6,441
Franklin Student Council	124	31	155	-
Garfield School	5,304	24,098	20,831	8,571
Lincoln School	8,841	14,670	12,806	10,705
Lincoln Student Council	494	4,911	2,307	3,098
Roosevelt School	9,234	31,502	25,916	14,820
Washington School	1,964	3,564	3,300	2,228
Washington Student Council	413	2,012	2,425	-
HIGH SCHOOL	259,951	281,199	312,893	228,257
ATHLETIC ACCOUNT	-	69,281	69,281	-
Total	<u>\$ 301,647</u>	<u>\$ 496,518</u>	<u>\$ 514,679</u>	<u>\$ 283,486</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Balance, July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	\$ 505,790	\$ 59,415,430	\$ 59,803,305	\$ 117,915
Total Assets	<u>\$ 505,790</u>	<u>\$ 59,415,430</u>	<u>\$ 59,803,305</u>	<u>\$ 117,915</u>
LIABILITIES				
Due to Other Funds	\$ 1,121			\$ 1,121
Payroll Deductions and Withholdings	504,669	\$ 28,465,397	\$ 28,853,272	116,794
Accrued Salaries and Wages	-	30,950,033	30,950,033	-
Total Liabilities	<u>\$ 505,790</u>	<u>\$ 59,415,430</u>	<u>\$ 59,803,305</u>	<u>\$ 117,915</u>

LONG-TERM DEBT

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT GROUP
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Refunded</u>	<u>Balance, June 30, 2015</u>
			<u>Date</u>	<u>Amount</u>						
School Bonds	2/15/05	\$ 3,650,000	7/15/2015	190,000	3.30%	\$ 2,475,000		\$ 175,000	\$ 2,110,000	\$ 190,000
School Bonds	7/15/07	12,725,000	7/15/2015	950,000	4.25%	8,550,000		950,000	4,750,000	2,850,000
			7/15/2016	950,000	4.25%					
			7/15/2017	950,000	4.25%					
Refunding Bonds	4/23/15	6,740,000	7/15/2015	60,000	2.00%					
			7/15/2016	180,000	3.00%					
			7/15/2017	180,000	3.00%					
			7/15/2018	1,135,000	4.00%					
			7/15/2019	1,135,000	4.00%					
			7/15/2020	1,140,000	4.00%					
			7/15/2021	1,140,000	4.00%					
			7/15/2022	1,140,000	4.00%					
			7/15/2023	205,000	4.00%					
			7/15/2024	210,000	4.00%					
			7/15/2025	215,000	4.00%					
						-	\$ 6,740,000	-	-	6,740,000
						<u>\$ 11,025,000</u>	<u>\$ 6,740,000</u>	<u>\$ 1,125,000</u>	<u>\$ 6,860,000</u>	<u>\$ 9,780,000</u>

KEARNY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Year</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2015</u>
2014	Acquisition of Computers	10.00%	\$ 394,437	\$ 394,437	\$ -	\$ 64,608	\$ 329,829
				\$ 394,437	\$ -	\$ 64,608	\$ 329,829

**KEARNY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,119,817		\$ 1,119,817	\$ 1,119,817	
Intergovernmental:					
State Aid	439,684	-	439,684	439,684	-
Total Revenues	1,559,501	-	1,559,501	1,559,501	-
EXPENDITURES:					
Regular Debt Service:					
Principal	1,125,000		1,125,000	1,125,000	
Interest	434,501	-	434,501	434,501	-
Cost of Issuance	-	-	-	108,484	\$ (108,484)
Total Expenditures	1,559,501	-	1,559,501	1,667,985	(108,484)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(108,484)	(108,484)
Other Financing Sources (Uses)					
Refunding Bond Proceeds				6,740,000	6,740,000
Premium on Bonds				706,406	706,406
Payments to Refunding Escrow Agent	-	-	-	(7,337,922)	(7,337,922)
Total Other Financing Sources (Uses)	-	-	-	108,484	108,484
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 23,163,520	\$ 23,432,663	\$ 25,875,674	\$ 37,617,030	\$ 41,531,599	\$ 41,472,141	\$ 45,417,929	\$ 51,589,542	\$ 55,485,780	\$ 55,491,651
Restricted	4,587,267	77,458	1,829,106	3,806,116	1,809,371	4,672,748	5,732,390	5,735,972	7,255,516	8,425,574
Unrestricted	(19,508,797)	(13,407,427)	(12,834,896)	(11,398,905)	(12,222,825)	(13,157,518)	(12,149,242)	(9,139,337)	(11,170,175)	(31,498,965)
Total Governmental Activities Net Position	\$ 8,241,990	\$ 10,102,694	\$ 14,869,884	\$ 30,024,241	\$ 31,118,145	\$ 32,987,371	\$ 39,001,077	\$ 48,186,177	\$ 51,571,121	\$ 32,418,260
Business-Type Activities										
Invested in Capital Assets	\$ 13,683	\$ 23,754	\$ 60,039	\$ 68,646	\$ 132,614	\$ 138,942	\$ 124,308	\$ 110,288	\$ 97,047	\$ 122,355
Unrestricted	161,515	132,847	116,789	162,620	199,518	263,540	254,822	320,381	372,232	422,604
Total Business-Type Activities Net Position	\$ 175,198	\$ 156,601	\$ 176,828	\$ 231,266	\$ 332,132	\$ 402,482	\$ 379,130	\$ 430,669	\$ 469,279	\$ 544,959
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 23,177,203	\$ 23,456,417	\$ 25,935,713	\$ 37,685,676	\$ 41,664,213	\$ 41,611,083	\$ 45,542,237	\$ 51,699,830	\$ 55,582,827	\$ 55,614,006
Restricted	4,587,267	77,458	1,829,106	3,806,116	1,809,371	4,672,748	5,732,390	5,735,972	7,255,516	8,425,574
Unrestricted	(19,347,282)	(13,274,580)	(12,718,107)	(11,236,285)	(12,023,307)	(12,893,978)	(11,894,420)	(8,818,956)	(10,797,943)	(31,076,361)
Total District Net Position	\$ 8,417,188	\$ 10,259,295	\$ 15,046,712	\$ 30,255,507	\$ 31,450,277	\$ 33,389,853	\$ 39,380,207	\$ 48,616,846	\$ 52,040,400	\$ 32,963,219

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 35,263,689	\$ 37,955,177	\$ 41,119,163	\$ 39,548,344	\$ 41,381,868	\$ 41,126,178	\$ 42,713,090	\$ 43,266,636	\$ 45,504,197	\$ 50,637,282
Special Education	7,765,815	8,434,724	8,811,849	9,015,324	10,695,914	11,313,129	10,843,661	11,478,294	11,402,060	13,900,553
Other Instruction	3,901,183	4,677,640	4,975,092	4,345,429	4,107,288	3,252,330	3,294,184	2,845,253	2,740,285	2,920,309
School Sponsored Activities and Athletics	1,166,583	1,449,664	1,590,926	1,215,318	1,300,510	1,281,841	1,250,104	1,261,789	1,310,483	1,376,895
Support Services:										
Student & Instruction Related Services	5,881,165	5,874,828	6,388,365	6,675,551	7,692,297	7,113,169	7,780,424	7,926,025	8,050,400	8,764,376
General Administration	1,908,105	2,043,622	2,185,860	2,258,577	2,271,974	2,423,076	2,779,422	2,439,406	2,946,412	2,832,130
School Administrative Services	4,123,625	4,361,767	4,525,087	4,354,414	4,632,528	6,238,956	6,316,539	6,376,930	6,819,361	7,530,457
Plant Operations and Maintenance	7,509,160	7,474,246	7,815,400	8,796,229	8,804,501	8,712,127	8,569,081	9,007,440	8,984,044	9,643,413
Pupil Transportation	1,143,659	1,113,094	1,286,523	1,361,355	1,404,217	1,315,732	1,373,763	1,480,516	1,500,332	1,698,164
Business/Central Services	1,335,532	1,270,112	1,086,791	1,204,114	1,195,456	1,208,264	1,631,181	1,657,053	1,672,507	2,021,459
Interest on Long-Term Debt	338,106	415,682	834,689	530,336	560,215	702,608	704,128	628,207	654,180	681,281
Total Governmental Activities Expenses	70,336,622	75,070,556	80,619,745	79,304,991	84,046,768	84,687,410	87,255,577	88,367,549	91,584,261	102,006,319
Business-Type Activities:										
Food Service	1,432,540	1,587,850	1,683,837	1,779,829	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004
Total Business-Type Activities Expense	1,432,540	1,587,850	1,683,837	1,779,829	2,117,868	1,788,415	2,039,672	2,087,488	2,073,328	2,144,004
Total District Expenses	\$ 71,769,162	\$ 76,658,406	\$ 82,303,582	\$ 81,084,820	\$ 86,164,636	\$ 86,475,825	\$ 89,295,249	\$ 90,455,037	\$ 93,657,589	\$ 104,150,323
Program Revenues										
Governmental Activities:										
Charges for Services:										
Other Instruction/Special Schools	\$ 52,324	\$ 58,000	\$ 58,500	\$ 51,000	\$ 142,122	\$ 60,439	\$ 65,897	\$ 65,134	\$ 59,563	\$ 50,462
Operating Grants and Contributions	15,140,430	17,209,657	18,696,110	13,634,556	19,210,879	14,474,765	15,540,976	16,080,166	15,152,252	25,265,538
Capital Grants and Contributions	9,758,329	111,655	3,837,724	12,131,626	2,558,285	1,227,985	5,925,681	8,239,865	5,734,925	2,034,553
Total Governmental Activities Program Revenues	24,951,083	17,379,312	22,592,334	25,817,182	21,911,286	15,763,189	21,532,554	24,385,165	20,946,740	27,350,553
Business-Type Activities:										
Charges for Services										
Food Service	418,550	414,388	430,157	427,416	416,267	461,515	494,235	468,029	482,377	448,955
Operating Grants and Contributions	646,513	689,661	738,971	808,825	1,071,208	1,093,172	1,215,030	1,259,394	1,316,125	1,262,487
Total Business Type Activities Program Revenues	1,065,063	1,104,049	1,169,128	1,236,241	1,487,475	1,554,687	1,709,265	1,727,423	1,798,502	1,711,422
Total District Program Revenues	\$ 26,016,146	\$ 18,483,361	\$ 23,761,462	\$ 27,053,423	\$ 23,398,761	\$ 17,317,876	\$ 23,241,819	\$ 26,112,588	\$ 22,745,242	\$ 29,061,975
Net (Expense)/Revenue										
Governmental Activities	\$ (45,385,539)	\$ (57,691,244)	\$ (58,027,411)	\$ (53,487,809)	\$ (62,135,482)	\$ (68,924,221)	\$ (65,723,023)	\$ (63,982,384)	\$ (70,637,521)	\$ (74,655,766)
Business-Type Activities	(367,477)	(483,801)	(514,709)	(543,588)	(630,393)	(233,728)	(330,407)	(360,065)	(274,826)	(432,582)
Total District-Wide Net Expense	\$ (45,753,016)	\$ (58,175,045)	\$ (58,542,120)	\$ (54,031,397)	\$ (62,765,875)	\$ (69,157,949)	\$ (66,053,430)	\$ (64,342,449)	\$ (70,912,347)	\$ (75,088,348)

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 41,061,685	\$ 41,855,063	43,537,336	43,537,336	\$ 43,537,336	\$ 45,278,829	\$ 45,278,829	\$ 45,595,029	\$ 45,759,751	\$ 46,217,348
Property Taxes, Debt Service	452,950	572,575	481,842	885,380	859,576	1,198,201	248,902	740,251	1,129,457	1,119,817
Federal and State Aid - Unrestricted	14,314,863	16,118,768	17,259,183	23,011,234	17,788,033	23,666,188	24,870,776	26,004,915	26,552,231	26,699,788
State Aid- Restricted for Debt Service	150,914	144,384	102,727	385,172	398,351	482,078	469,498	456,918	444,338	439,684
Premium on Grant Anticipation Note	26,240									
Donation of Capital Assets								9,000	-	21,500
Loss on Disposition of Assets			(52,394)				(6,825)			
Investment Earnings	200,863	956,334	1,236,473	251,685	18,970	86,534	70,842	26,671	22,752	25,289
Miscellaneous Income	992,455	367,396	761,030	1,169,385	1,358,379	385,695	1,111,762	746,304	427,372	558,597
Transfers	(368,352)	(462,572)	(531,596)	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	(313,436)	(508,262)
Total Governmental Activities	56,831,618	59,551,948	62,794,601	68,642,166	63,229,386	70,793,447	71,736,729	73,167,484	74,022,465	74,573,761
Business-Type Activities:										
Investment Earnings		2,632	3,340							
Transfers	368,352	462,572	531,596	598,026	731,259	304,078	307,055	411,604	313,436	508,262
Total Business-Type Activities	368,352	465,204	534,936	598,026	731,259	304,078	307,055	411,604	313,436	508,262
Total District-Wide	\$ 57,199,970	\$ 60,017,152	\$ 63,329,537	\$ 69,240,192	\$ 63,960,645	\$ 71,097,525	\$ 72,043,784	\$ 73,579,088	\$ 74,335,901	\$ 75,082,023
Change in Net Position										
Governmental Activities	\$ 11,446,079	\$ 1,860,704	\$ 4,767,190	\$ 15,154,357	\$ 1,093,904	\$ 1,869,226	\$ 6,013,706	\$ 9,185,100	\$ 3,384,944	\$ (82,005)
Business-Type Activities	875	(18,597)	20,227	54,438	100,866	70,350	(23,352)	51,539	38,610	75,680
Total District	\$ 11,446,954	\$ 1,842,107	\$ 4,787,417	\$ 15,208,795	\$ 1,194,770	\$ 1,939,576	\$ 5,990,354	\$ 9,236,639	\$ 3,423,554	\$ (6,325)

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 3,556,144	\$ 5,685,480	\$ 7,709,563	\$ 12,907,470	\$ 7,355,662					
Unreserved	592,800	363,166	420,989	(1,701,304)	(1,404,832)					
Nonspendable									\$ 222,232	\$ 111,116
Restricted						\$ 4,758,608	\$ 8,034,102	\$ 8,691,054	9,856,929	9,467,872
Committed						541,544	131,791	180,361	529,245	423,991
Assigned						2,066,600	1,223,556	2,426,848	1,702,673	815,291
Unassigned	-	-	-	-	-	(1,293,550)	(1,470,132)	(1,684,780)	(1,709,765)	(1,652,334)
Total General Fund	\$ 4,148,944	\$ 6,048,646	\$ 8,130,552	\$ 11,206,166	\$ 5,950,830	\$ 6,073,202	\$ 7,919,317	\$ 9,613,483	\$ 10,601,314	\$ 9,165,936
All Other Governmental Funds										
Reserved	\$ 1,734,341	\$ 1,523,610	\$ 21,149,173	\$ 3,887,907	\$ 7,104,783					
Unreserved	2,792,336	3,488,025	(9,571,255)	1,876,411	(1,349,043)					
Restricted						\$ 4,183,257	\$ 2,007,465	\$ 1,550,311	\$ 1,044,460	\$ 499,958
Total All Other Governmental Funds	\$ 4,526,677	\$ 5,011,635	\$ 11,577,918	\$ 5,764,318	\$ 5,755,740	\$ 4,183,257	\$ 2,007,465	\$ 1,550,311	\$ 1,044,460	\$ 499,958

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

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Property Tax Levy	\$ 41,514,635	\$ 42,427,638	\$ 44,019,178	\$ 44,422,716	\$ 44,396,912	\$ 46,477,030	\$ 45,527,731	\$ 46,335,280	\$ 46,889,208	\$ 47,337,165
Miscellaneous	1,506,811	1,389,903	2,566,100	2,614,236	1,825,583	555,657	1,865,664	1,836,842	1,154,656	884,872
State Sources	35,330,794	31,233,233	34,632,895	38,183,673	29,710,039	35,396,441	39,136,676	42,912,761	41,732,329	41,184,480
Federal Sources	3,772,573	2,343,058	4,752,752	9,844,679	9,939,397	4,431,586	7,053,092	6,870,370	5,506,448	4,198,681
Total Revenues	82,124,813	77,393,832	85,970,925	95,065,304	85,871,931	86,860,714	93,583,163	97,955,253	95,282,641	93,605,198
Expenditures										
Instruction										
Regular Instruction	34,150,379	36,124,138	39,375,784	37,748,212	39,656,866	38,493,481	39,842,839	40,812,892	41,780,251	42,565,681
Special Education Instruction	7,697,661	8,359,278	8,825,704	9,025,809	10,789,990	11,350,615	10,942,923	11,634,469	11,342,082	13,089,595
Other Instruction	3,782,451	4,601,148	4,988,725	4,353,943	4,175,519	3,274,259	3,353,977	2,914,201	2,717,321	2,618,113
School Sponsored Activities and Athletics	1,135,397	1,429,278	1,593,687	1,217,039	1,315,147	1,287,414	1,265,183	1,282,607	1,303,110	1,276,764
Support Services:										
Student and Inst. Related Services	5,785,720	5,849,555	6,396,500	6,685,513	7,783,452	7,132,255	7,877,266	8,060,790	7,975,682	8,107,689
General Administration	1,877,613	2,025,015	2,181,746	2,252,698	2,287,525	2,420,433	2,792,677	2,465,123	2,912,794	2,609,139
School Administrative Services	4,056,753	4,382,370	4,538,853	4,363,110	4,709,899	6,278,848	6,430,530	6,532,163	6,758,836	6,875,942
Plant Operations and Maintenance	7,339,283	7,398,782	7,828,585	8,804,436	8,901,577	8,744,355	8,663,650	9,151,095	8,921,168	9,556,186
Pupil Transportation	1,133,443	1,096,909	1,274,945	1,349,605	1,393,794	1,299,289	1,358,119	1,471,338	1,473,340	1,668,320
Business/Central Services	1,285,594	1,295,365	1,090,452	1,206,489	1,213,368	1,215,647	1,657,294	1,693,280	1,659,558	1,914,327
Capital Outlay	10,546,643	630,523	9,997,926	18,348,184	6,648,971	4,719,037	7,690,441	8,551,056	6,268,849	2,936,632
Debt Service:										
Principal	5,260,530	1,116,717	1,023,512	916,376	886,394	1,075,000	1,080,000	1,090,000	1,095,000	1,189,608
Interest and Other Charges	342,845	237,522	399,721	933,850	642,084	716,114	650,886	647,623	673,671	668,820
Cost of Issuance										108,484
Total Expenditures	84,394,312	74,546,600	89,516,140	97,205,264	90,404,586	88,006,747	93,605,785	96,306,637	94,881,662	95,185,300
Excess (Deficiency) of Revenues over (under) Expenditures	(2,269,499)	2,847,232	(3,545,215)	(2,139,960)	(4,532,655)	(1,146,033)	(22,622)	1,648,616	400,979	(1,580,102)
Other Financing Sources (Uses)										
Premiums on Bonds/Notes	26,240									706,406
Leases Purchase Proceeds									394,437	
Bond/Refunding Bond Proceeds			12,725,000							6,740,000
Payments to Escrow Agents										(7,337,922)
Transfers In	720,875	1,016,858	387,150	853,881	2,742,349	343,504	1,445,496	916,198	583,738	504,834
Transfers Out	(1,089,227)	(1,479,430)	(918,746)	(1,451,907)	(3,473,608)	(647,582)	(1,752,551)	(1,327,802)	(897,174)	(1,013,096)
Total Other Financing Sources (Uses)	(342,112)	(462,572)	12,193,404	(598,026)	(731,259)	(304,078)	(307,055)	(411,604)	81,001	(399,778)
Net Change in Fund Balances	\$ (2,611,611)	\$ 2,384,660	\$ 8,648,189	\$ (2,737,986)	\$ (5,263,914)	\$ (1,450,111)	\$ (329,677)	\$ 1,237,012	\$ 481,980	\$ (1,979,880)
Debt Service as a Percentage of Noncapital Expenditures	7.59%	1.83%	1.79%	2.35%	1.82%	2.15%	2.01%	1.98%	2.00%	2.01%

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

Fiscal Year Ended June 30,	Interest Earned	Rentals	Adult School	Solar Energy Sales	Miscellaneous	Total
2006	\$ 579,601	\$ 61,882	\$ 52,324		\$ 350,972	\$ 1,044,779
2007	816,398	57,882	58,000		309,514	1,241,794
2008	1,117,966	55,815	58,500		705,215	1,937,496
2009	211,507	49,105	51,000		599,704	911,316
2010	18,479	50,825	67,000	\$ 999,800	382,876	1,518,980
2011	51,608	57,616	60,439		264,617	434,280
2012	44,780	56,237	65,897	629,376	391,849	1,188,139
2013	30,252	54,250	65,134	275,711	412,762	838,109
2014	22,752	43,293	59,563	161,289	222,790	509,687
2015	23,470	52,596	50,462	210,956	295,045	632,529

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2006	\$ 20,955,100	\$ 663,774,200	\$ 96,436,600	\$ 240,476,500	\$ 35,122,800	\$ 1,056,765,200	\$ 2,493,662	\$ 1,059,258,862	\$ 3,248,263,913	\$ 3.962
2007	16,500,400	666,130,000	104,965,500	241,456,200	34,796,100	1,063,848,200	2,195,701	1,066,043,901	3,793,750,537	4.055
2008	16,229,700	669,910,300	104,347,400	243,826,800	34,666,300	1,068,980,500	2,101,056	1,071,081,556	4,105,333,676	4.128
2009	17,311,100	671,986,000	105,156,300	240,243,000	34,241,500	1,068,937,900	2,176,198	1,071,114,098	4,148,721,067	4.145
2010	18,430,500	672,502,400	105,147,200	233,907,300	34,198,500	1,064,185,900	2,410,654	1,066,596,554	3,956,951,460	4.262
2011	16,903,400	673,346,700	108,500,400	228,065,700	34,027,900	1,060,844,100	3,123,915	1,063,968,015	3,723,345,984	4.323
2012	16,583,100	674,244,400	108,131,200	226,154,800	34,003,900	1,059,117,400	3,211,348	1,062,328,748	3,468,973,947	4.324
2013	15,293,100	674,617,500	108,221,800	225,847,400	33,924,600	1,057,904,400	3,070,234	1,060,974,634	3,277,405,251	4.394
2014	14,078,200	675,822,900	112,403,000	215,090,300	33,487,200	1,050,881,600	2,743,918	1,053,625,518	3,272,805,570	4.472
2015	14,492,500	677,591,940	111,905,700	215,841,800	33,348,100	1,053,180,040	2,554,395	1,055,734,435	3,467,639,014	4.563

Source: County Abstract of Ratables

a - Tax rates are per \$100

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

Calendar Year	School	Overlapping Rates		Total Direct and Overlapping Tax Rate
		Municipality	County	
2006	\$ 3.962	\$ 2.501	\$ 1.447	\$ 7.910
2007	4.055	2.733	1.488	8.276
2008	4.128	3.156	1.492	8.776
2009	4.145	3.280	1.522	8.947
2010	4.262	3.387	1.522	9.171
2011	4.323	3.514	1.630	9.467
2012	4.324	3.603	1.691	9.618
2013	4.394	3.733	1.664	9.791
2014	4.472	3.872	1.692	10.036
2015	4.563	3.992	1.771	10.326

Source: County Abstract of Ratables

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

Taxpayer	2015		2006	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
RTC Properties, Inc.	\$ 30,993,200	2.94%	\$ 54,440,200	5.14%
Windmere Associates			16,000,000	1.51%
PSE&G	21,851,300	2.07%	16,900,700	1.60%
RTL Services	12,774,400	1.21%		
AMB Alliance Fund III	11,000,000	1.04%		
DVL Holdings	8,868,100	0.84%		
Sunset Cahuenga	9,000,000	0.85%	9,977,300	0.94%
The Four B's			8,148,700	0.77%
Wal-Mart	9,264,200	0.88%		
Hurricane Associates, LLC	6,617,400	0.63%		
Orangewood Prop. LTD	5,633,500	0.53%	5,777,000	0.55%
Hartz Mountain Industries	4,700,000	0.45%	6,569,200	0.62%
Kearny Holding VF LLC	5,359,000	0.51%	5,965,800	0.56%
Jeryl Industries			5,253,800	0.50%
Motor Carrier Corp.	4,890,600	0.46%	4,890,600	0.46%
Education & Health Center, Inc.	4,998,300	0.47%	-	
Central Ave. Real Estate, LLC	4,700,000	0.45%	-	
Terreno Belleville LLC	4,452,500	0.42%	-	
	<u>\$ 145,102,500</u>	<u>13.65%</u>	<u>\$ 133,923,300</u>	<u>12.64%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 41,514,635	\$ 41,514,635	100.00%	N/A
2007	42,427,638	42,427,638	100.00%	N/A
2008	44,019,178	44,019,178	100.00%	N/A
2009	44,422,716	44,422,716	100.00%	N/A
2010	44,396,912	44,396,912	100.00%	N/A
2011	46,477,030	46,477,030	100.00%	N/A
2012	45,527,731	45,527,731	100.00%	N/A
2013	46,335,280	46,335,280	100.00%	N/A
2014	46,889,208	46,889,208	100.00%	N/A
2015	47,337,165	47,234,598	99.78%	\$ 102,567

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

Fiscal Year Ended June 30,	Governmental Activities					Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovern- mental Loans	Bond/Grant Anticipation Notes			
2006	\$ 4,537,000	\$ 1,780,998	\$ 201,788	\$ 63,215	\$ 8,100,000	\$ 14,683,001	38,354	\$ 383
2007	4,012,000	1,291,677	120,463	42,144	4,600,000	10,066,284	37,494	268
2008	16,322,000	786,971	37,729	21,072	4,000,000	21,167,772	36,818	575
2009	15,985,000	266,395	-	-	3,500,000	19,751,395	36,607	540
2010	15,365,000					15,365,000	36,544	420
2011	14,290,000				10,000,000	24,290,000	40,767	596
2012	13,210,000				10,000,000	23,210,000	41,400	561
2013	12,120,000				7,500,000	19,620,000	41,770	470
2014	11,025,000		394,437		15,000,000	26,419,437	41,867	631
2015	9,780,000		329,829		15,000,000	25,109,829	41,837	600

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Inter- governmental Loans	Deductions			
2006	\$ 4,537,000	\$ 63,215		\$ 4,600,215	0.43%	\$ 120
2007	4,012,000	42,144		4,054,144	0.38%	108
2008	16,322,000	21,072		16,343,072	1.53%	444
2009	15,985,000	-		15,985,000	1.49%	437
2010	15,365,000	-		15,365,000	1.44%	420
2011	14,290,000	-		14,290,000	1.34%	351
2012	13,210,000	-		13,210,000	1.24%	319
2013	12,120,000	-		12,120,000	1.14%	290
2014	11,025,000	-		11,025,000	1.05%	263
2015	9,780,000	-		9,780,000	0.93%	234

Source: District records

KEARNY BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
(Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Kearny Board of Education (as of June 30, 2015)	\$ 9,780,000		\$ 9,780,000
Town of Kearny	<u>77,814,488</u>	<u>\$ 16,057,069</u>	<u>61,757,419</u>
	<u>\$ 87,594,488</u>	<u>\$ 16,057,069</u>	<u>71,537,419</u>
Overlapping Debt Apportioned to the Municipality:			
County of Hudson			32,598,050
Passaic Valley Sewerage Commission			8,610,809
North Jersey District Water Supply Commission			<u>3,085,487</u>
			<u>44,294,346</u>
 Total Direct and Overlapping Debt			 <u>\$ 115,831,765</u>

Source:

Municipal and County Annual Debt Statements

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 112,138,572	\$ 129,989,322	\$ 129,989,322	\$ 158,479,662	\$ 160,013,566	\$ 154,205,149	\$ 145,427,054	\$ 136,452,123	\$ 130,844,283	\$ 130,838,539
Total Net Debt Applicable to Limit	<u>4,600,215</u>	<u>16,779,795</u>	<u>16,343,072</u>	<u>15,985,000</u>	<u>15,365,000</u>	<u>14,290,000</u>	<u>13,210,000</u>	<u>12,120,000</u>	<u>11,025,000</u>	<u>9,780,000</u>
Legal Debt Margin	<u>\$ 107,538,357</u>	<u>\$ 113,209,527</u>	<u>\$ 113,646,250</u>	<u>\$ 142,494,662</u>	<u>\$ 144,648,566</u>	<u>\$ 139,915,149</u>	<u>\$ 132,217,054</u>	<u>\$ 124,332,123</u>	<u>\$ 119,819,283</u>	<u>\$ 121,058,539</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.10%	12.91%	12.57%	10.09%	9.60%	9.27%	9.08%	8.88%	8.43%	7.47%

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized Valuation Basis	
2014	\$ 3,388,847,469
2013	3,221,389,769
2012	<u>3,202,653,160</u>
	<u>\$ 9,812,890,398</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,270,963,466</u>
Debt Limit (4% of Average Equalization Value)	\$ 130,838,539
Total Net Debt Applicable to Limit	<u>9,780,000</u>
Legal Debt Margin	<u>\$ 121,058,539</u>

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	38,354	\$ 35,338	5.50%
2007	37,494	37,823	5.10%
2008	36,818	40,192	6.80%
2009	36,607	43,495	12.00%
2010	36,544	43,694	12.40%
2011	40,767	46,049	11.30%
2012	41,400	49,111	11.40%
2013	41,770	49,978	9.90%
2014	41,867	50,172	7.50%
2015	41,837	N/A	N/A

Source: New Jersey State Department of Education

N/A - Not available

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

INFORMATION NOT AVAILABLE

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2006	5,345	\$ 69,157,137	\$ 12,939	3.54%	N/A	1:20.3	1:19.7	1:13.7	5,381	5,088	0.67%	94.55%
2007	5,442	73,199,118	13,451	3.96%	N/A	1:22.8	1:17.5	1:10.4	5,452	5,150	1.32%	94.46%
2008	5,580	78,094,981	13,996	4.05%	N/A	1:21.6	1:18.7	1:10.5	5,589	5,260	2.51%	94.11%
2009	5,774	77,006,854	13,337	-4.71%	N/A	01:15.4	01:19.2	01:10.2	5,746	5,490	2.81%	95.54%
2010	5,744	82,227,137	14,315	7.34%	N/A	1:16	1:19	1:11	5,709	5,427	-0.64%	95.06%
2011	5,830	81,496,596	13,979	-2.35%	N/A	1:15	1:18	1:10	5,418	5,154	-5.10%	95.13%
2012	5,894	84,184,458	14,283	2.18%	N/A	1:15	1:22	1:12	5,887	5,594	8.66%	95.02%
2013	5,979	86,017,958	14,387	0.73%	N/A	1:15	1:22	1:13	6,018	5,785	2.23%	96.13%
2014	5,911	86,844,142	14,692	2.12%	N/A	1:15	1:22	1:13	5,912	5,641	-1.76%	95.42%
2015	5,915	90,281,756	15,263	3.89%	N/A	1:15	1:22	1:13	5,909	5,608	-0.05%	94.91%

Sources: District records

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

N/A Not Available

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment	Average Daily Attendance	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2006	5,345	\$ 69,157,137	\$ 12,939	3.54%	N/A	1:20.3	1:19.7	1:13.7	5,381	5,088	0.67%	94.55%
2007	5,442	73,199,118	13,451	3.96%	N/A	1:22.8	1:17.5	1:10.4	5,452	5,150	1.32%	94.46%
2008	5,580	78,094,981	13,996	4.05%	N/A	1:21.6	1:18.7	1:10.5	5,589	5,260	2.51%	94.11%
2009	5,774	77,006,854	13,337	-4.71%	N/A	01:15.4	01:19.2	01:10.2	5,746	5,490	2.81%	95.54%
2010	5,744	82,227,137	14,315	7.34%	N/A	1:16	1:19	1:11	5,709	5,427	-0.64%	95.06%
2011	5,830	81,496,596	13,979	-2.35%	N/A	1:15	1:18	1:10	5,418	5,154	-5.10%	95.13%
2012	5,894	84,184,458	14,283	2.18%	N/A	1:15	1:22	1:12	5,887	5,594	8.66%	95.02%
2013	5,979	86,017,958	14,387	0.73%	N/A	1:15	1:22	1:13	6,018	5,785	2.23%	96.13%
2014	5,911	86,844,142	14,692	2.12%	N/A	1:15	1:22	1:13	5,912	5,641	-1.76%	95.42%
2015	5,915	90,390,240	15,282	4.01%	N/A	1:15	1:22	1:13	5,909	5,608	-0.05%	94.91%

Sources: District records

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

N/A Not Available

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>District Building</u>										
<u>Elementary</u>										
<u>Franklin</u>										
Square Feet	108,820	108,820	108,820	108,820	108,820	108,820	108,820	114,854	114,854	114,854
Capacity (students)	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Enrollment	928	953	947	1,012	1,027	1,029	1,056	1,095	1,086	1,103
<u>Garfield</u>										
Square Feet	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095	63,095
Capacity (students)	578	578	578	578	578	578	578	578	578	578
Enrollment	520	527	586	594	591	604	661	666	654	562
<u>Lincoln Middle School</u>										
Square Feet	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510	88,510
Capacity (students)	794	794	794	794	794	794	794	794	794	794
Enrollment	723	674	698	748	748	749	794	825	817	865
<u>Roosevelt</u>										
Square Feet	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385	43,385
Capacity (students)	463	463	463	463	463	463	463	463	463	463
Enrollment	468	472	455	463	463	461	462	455	457	483
<u>Schuylcr</u>										
Square Feet	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880	54,880
Capacity (students)	514	514	514	514	514	514	514	514	514	514
Enrollment	452	458	482	486	484	534	518	518	504	553
<u>Washington</u>										
Square Feet	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220	86,220
Capacity (students)	671	671	671	671	671	671	671	671	671	671
Enrollment	587	622	650	666	657	659	683	689	703	625
<u>High School</u>										
Square Feet	163,760	163,760	163,760	163,760	163,760	163,760	163,760	276,400	276,400	276,400
Capacity (students)	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569	1,569
Enrollment	1,707	1,736	1,762	1,805	1,774	1,794	1,720	1,731	1,690	1,710

Number of Schools at June 30, 2015

Elementary = 5

Middle = 1

High School = 1

Source: District Records

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
School Facilities										
Kearny High School	\$ 708,107	\$ 609,717	\$ 737,928	\$ 512,894	\$ 749,779	\$ 694,882	\$ 630,522	\$ 678,456	\$ 651,132	\$ 805,694
Franklin School	323,532	326,394	310,442	448,429	376,160	348,619	316,330	340,377	326,670	404,213
Garfield School	187,201	189,462	180,213	259,983	218,096	202,128	183,407	197,349	189,402	234,361
Lincoln School	266,557	264,666	251,716	364,702	306,172	283,756	257,475	277,047	265,890	329,006
Roosevelt School	128,192	129,374	123,056	178,767	149,449	138,507	125,679	135,233	129,787	160,595
Schuyler School	164,818	164,016	156,006	226,158	189,662	175,776	159,496	171,620	164,708	203,807
Washington School	<u>256,385</u>	<u>258,747</u>	<u>246,112</u>	<u>355,279</u>	<u>298,065</u>	<u>276,242</u>	<u>250,657</u>	<u>269,711</u>	<u>258,850</u>	<u>320,294</u>
Total School Facilities	<u>\$ 2,034,792</u>	<u>\$ 1,942,376</u>	<u>\$ 2,005,473</u>	<u>\$ 2,346,212</u>	<u>\$2,287,383</u>	<u>\$2,119,910</u>	<u>\$ 1,923,566</u>	<u>\$ 2,069,793</u>	<u>\$ 1,986,439</u>	<u>\$ 2,457,970</u>

Source: District Records

**KEARNY BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2015
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (School Alliance Insurance Fund)		
Property	\$ 250,000,000	\$ 2,500
Commercial General Liability	5,000,000	2,500
Crime	500,000	1,000
School Board Legal Liability	5,000,000	10,000
Excess Liability	5,000,000	
Workers' Compensation	5,000,000	
Surety Bonds (Selective Insurance)		
Treasurer	400,000	
Board Secretary/Business Administrator	400,000	

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
KATHLEEN WANG, CPA
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Kearny Board of Education's basic financial statements and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

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

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

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

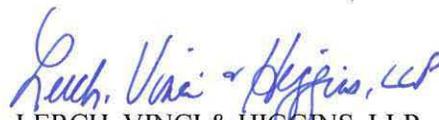
Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Kearny Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 20, 2015.

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Kearny Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Kearny Board of Education's major federal and state programs for the fiscal year ended June 30, 2015. The Kearny Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Kearny Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Kearny Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Kearny Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Kearny Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Kearny Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kearny Board of Education's internal control over compliance.

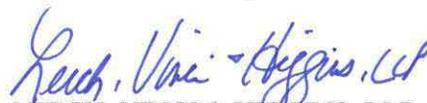
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kearny Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2015

KEARNY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Memo Only)

GAAP
Account
Receivable

Federal/Grantor/Pass-Through G Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2014	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Prior Year Adjustment	Refund of Prior Year Balances	June 30, 2015		GAAP Account Receivable	
											(Account Receivable)	Unearned Revenue		Due to Grantor
U.S. Department of Education Passed-through State Department of Education														
Medicaid Assistance Program	93.778	7/1/14-6/30/15	\$ 214,213			\$ 109,201	\$ 214,213					\$ (105,012)		(105,012)
Medicaid Assistance (MAC)	93.778	7/1/14-6/30/15	14,629			14,629	14,629							
Medicaid Assistance - ARRA	93.778	10/1/08-12/31/10	62,763	-	-	62,763	62,763	-	-	-	-	-	-	-
Total General Fund				-	-	186,593	291,605	-	-	-	-	(105,012)	-	(105,012)
U.S. Department of Education Passed-through State Department of Education														
Food Distribution Program	10.555	7/1/13-6/30/14	122,410	\$ 1,691			1,691							
Food Distribution Program	10.555	7/1/14-6/30/15	133,952			133,952	131,139					\$ 2,813		
National School Lunch Program	10.555	7/1/13-6/30/14	1,081,805	(70,197)		70,197								
National School Lunch Program	10.555	7/1/14-6/30/15	1,017,877			954,941	1,017,877					(62,936)		\$ (62,936)
National School Breakfast Program	10.553	7/1/13-6/30/14	86,385	(7,737)		7,737								
National School Breakfast Program	10.553	7/1/14-6/30/15	88,199	-		80,672	88,199	-	-	-	-	(7,527)	-	(7,527)
Total U.S. Department of Agriculture - Enterprise Fund				(76,243)	-	1,247,499	1,338,906	-	-	-	-	(70,463)	2,813	(62,936)
U.S. Department of Education Passed-through State Department of Education														
Title I, Part A	84.010A	7/1/14-6/30/15	1,323,538		\$ 19,651	790,582	1,293,986	\$ (19,651)				(552,607)	49,203	(503,404)
Title I, Part A	84.010A	7/1/13-6/30/14	1,162,976	(829,791)		838,492	8,701	(19,651)					19,651	
I.D.E.A Part B, Basic Regular	84.027	7/1/14-6/30/15	1,325,562			18,836	575,773	1,322,942				(768,625)	21,456	(747,169)
I.D.E.A Part B, Basic Regular	84.027	7/1/13-6/30/14	1,254,682	(701,969)		(18,836)	701,969		18,836	\$ 229	a		229	
I.D.E.A Part B, Basic Regular	84.027	9/1/10-8/31/11	1,274,990	275						275				
I.D.E.A, Part B, Preschool	84.173	7/1/14-6/30/15	25,602			24,310	25,602					(1,292)		(1,292)
I.D.E.A, Part B, Preschool	84.173	7/1/13-6/30/14	25,588	(2,708)										
Title II, Part A	84.367A	7/1/14-6/30/15	137,969		1,210	79,713	129,976	(1,210)				(59,466)	9,203	(50,263)
Title II, Part A	84.367A	7/1/13-6/30/14	132,103	(29,017)		(1,210)	29,017							
Title II, Part A	84.367A	9/1/11-8/31/12	157,111	139						139				
Title III	84.365A	7/1/14-6/30/15	54,483		4,518	13,931	58,820	(4,518)				(45,070)	181	(44,889)
Title III	84.365A	7/1/13-6/30/14	51,230	(29,891)		(4,518)	44,867	14,976		1,026	a		1,026	
Title III Immigrant	84.365A	7/1/14-6/30/15	42,471		4,006	10,474	42,699	(4,006)				(36,003)	3,778	(32,225)
Title III Immigrant	84.365A	7/1/13-6/30/14	40,037	(22,545)		(4,006)	30,530	7,987						
Carl D. Perkins- Voc. Education	84.048A	7/1/14-6/30/15	60,302				59,967					(60,302)	335	(59,967)
Carl D. Perkins- Voc. Education	84.048A	7/1/13-6/30/14	56,243	(17,046)		14,046						(3,000)		(3,000)
Carl D. Perkins- Voc. Education	84.048A	7/1/12-6/30/13	56,316	188									188	
Carl D. Perkins- Voc. Education	84.048A	7/1/10-6/30/11	60,981	600						600				
Total U.S. Department of Education - Special Revenue Fund				(1,631,763)	-	3,156,412	2,965,656	-	1,255	1,014		(1,526,365)	84,156	1,443
U.S. Department of Transportation Airport Improvement Program														
Aircraft Noise Abatement - K.H.S.	20.106	Nor Available	21,145,025	(5,690,822)	-	1,682,603	941,420	-	215,097			(14,735,117)	10,000,575	-
Total Capital Projects Fund				(5,690,822)	-	1,682,603	941,420	-	215,097			(14,735,117)	10,000,575	-
Total Federal Awards				\$ (7,398,828)	\$ -	\$ 6,273,107	\$ 5,437,587	\$ -	\$ 216,352	\$ 1,014	\$ (16,436,937)	\$ 10,087,544	\$ 1,443	\$ (16,345,274)

a - Cancelled payables

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2014		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	June 30, 2015		MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor						(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education															
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 3,528,116				\$ 3,178,413	\$ 3,528,116			\$ (349,703)			\$ 3,528,116	
Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	3,528,116	\$ (350,357)			350,357								
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	26,090.104				23,504.083	26,090.104			(2,586.021)			26,090.104	
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	26,090.104	(2,590.858)			2,590.858								
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	50.657				45.636	50.657			(5.021)			50.657	
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	50.657	(5.030)			5.030								
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	349,488				314,847	349,488			(34,641)			349,488	
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	349,488	(34,706)			34,706								
Under Adequacy Aid	15-495-034-5120-096	7/1/14-6/30/15	500,000				450,441	500,000			(49,559)			500,000	
Under Adequacy Aid	14-495-034-5120-096	7/1/13-6/30/14	500,000	(49,652)			49,652								
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	58,140				52,377	58,140			(5,763)			58,140	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	58,140				52,377	58,140			(5,763)			58,140	
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	303,728				303,728	303,728			(303,728)			303,728	
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	227,478	(227,478)			227,478								
TPAF Social Security Aid	15-495-034-5094-003	7/1/14-6/30/15	2,817,963				2,205,648	2,817,963			(612,315)		\$ (612,315)	2,817,963	
TPAF Social Security Aid	14-495-034-5094-002	7/1/13-6/30/14	2,879,126	(618,449)			618,449								
On Behalf TPAF NCGI Premium	15-495-034-5094-007	7/1/14-6/30/15	140,979				140,979	140,979			-			140,979	
On Behalf TPAF Pension Contrib.	15-495-034-5094-006	7/1/14-6/30/15	1,959,523				1,959,523	1,959,523			-			1,959,523	
On Behalf TPAF Post Retirement Medical Benefit Contribution	15-495-034-5094-001	7/1/14-6/30/15	3,334,547	-	-	-	3,334,547	3,334,547	-	-	-	-	-	3,334,547	
Total General Fund				(3,876,530)	-	-	39,115,401	39,191,385	-	-	(3,952,514)	-	-	(612,315)	39,191,385
Early Childhood Program Aid	07-495-034-5120-025	7/1/06-6/30/07	2,511,213	1,669,838								\$ 1,669,838			
Preschool Education Aid	15-495-034-5120-086	7/1/14-6/30/15	435,897			\$ 42,099	392,307	943,580	\$ 503,015	b	(43,590)	37,431		943,580	
Preschool Education Aid	14-495-034-5120-086	7/1/13-6/30/14	439,560	75,106		(42,099)	43,956		25	a		76,988			
New Jersey Nonpublic Aid															
Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	5,660				5,660	5,653					7	5,653	
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	5,704		\$ 52					52					
Auxiliary Services															
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	41,207				41,207	4,479					36,728	4,479	
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	42,799		6,420					6,420					
ESL	15-100-034-5120-067	7/1/14-6/30/15	3,654				3,654	2,558					1,096	2,558	
ESL	14-100-034-5120-067	7/1/13-6/30/14	23,568		19,814					19,814					
Handicapped Services															
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	10,808				10,808	8,911					1,897	8,911	
Examination and Classification	14-100-034-5120-066	7/1/13-6/30/14	119,201		99,004					99,004					
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	9,719				9,719	6,715					3,004	6,715	
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	22,499		16,484					16,484					
Supplementary	15-100-034-5120-066	7/1/14-6/30/15	13,340				13,340	8,632					4,708	8,632	
Supplementary	14-100-034-5120-066	7/1/13-6/30/14	12,489		5,551					5,551					
Nursing	15-100-034-5120-070	7/1/14-6/30/15	9,011				9,011	9,011					-	9,011	
Technology	15-100-034-5120-373	7/1/14-6/30/15	3,040				3,040	3,040					-	3,040	
Technology	14-100-034-5120-373	7/1/13-6/30/14	2,080		2				25	a	2		25		
Department of Human Services															
School Based Youth Services	SB08020	7/1/14-6/30/15	277,587				279,806	277,587				2,219		277,587	
School Based Youth Services	SB08020	7/1/13-6/30/14	277,587	10,600				10,600	34	a			34	10,600	
School Based Youth Services	SB08020	7/1/12-6/30/13	282,387		203								203		
School Based Youth Services	SB08020	7/1/09-6/30/10	277,587	27,839	-	-	-	-	-	-	-	27,839	-	-	
Total Special Revenue Fund				1,783,383	147,530	-	812,508	1,280,766	503,099	147,327	(43,590)	1,814,315	47,702	-	1,280,766

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See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

KEARNY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2014		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	June 30, 201		MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor						(Accounts Receivable)	Unearned Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
New Jersey Economic Development Authority															
Facilities Grant Program															
KHS - Façade	2410-050-05-1400	N/A	\$ 2,433,708	\$ (429,006)							\$ (474,603)	\$ 45,597	\$ (474,603)	\$ 2,388,111	
KHS Aircraft Noise Abatement	2410-050-04-3000	N/A	17,608,507	(8,413,732)			\$ 784,516				(17,520,464)	8,322,226	(17,520,464)	9,286,281	
Franklin School and BOE Offices	2410-X02-09-1002	N/A	873,582	(812,792)			60,790				(873,582)		(873,582)	873,573	
Franklin School Alterations	2410-070-09-2001	N/A	47,250	(13,822)			12,471				(47,250)	20,957	(47,250)	26,293	
Total Capital Projects Fund				(9,669,342)				857,777			(18,915,899)	8,388,780	(18,915,899)	12,574,258	
Debt Service Aid	15-495-034-5120-075	7/1/14-6/30/15	439,684	-	-	-	\$ 439,684	439,684	-	-	-	-	-	439,684	
Total Debt Service Fund							439,684	439,684						439,684	
State Department of Agriculture															
State School Lunch Program	14-100-010-3360-023	7/1/13-6/30/14	26,331	(3,077)			3,077							-	
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	23,581	-	-	-	21,482	23,581	-	-	(2,099)	-	(2,099)	23,581	
Total Enterprise Fund				(3,077)			24,559	23,581			(2,099)		(2,099)	23,581	
Total State Awards				\$ (11,765,566)	\$ 147,530	\$ -	\$ 40,392,152	41,793,193	\$ 503,099	\$ 147,327	\$ (22,914,102)	\$ 10,203,095	\$ 47,702	\$ (19,530,313)	\$ 53,509,674
Less: State Aid Not Subject to Single Audit:															
On-Behalf TPAF NCOI Premium								(140,979)							
On-Behalf TPAF Pension Contribution								(1,959,523)							
On-Behalf TPAF Post-Retirement Medical								(3,334,547)							
Total State Financial Assistance Subject to Single Audit								\$ 36,358,144							

a - Cancelled Payables
 b - Transfer from General Fund

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$82,118 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 291,605	\$ 39,109,267	\$ 39,400,872
Special Revenue Fund	2,965,656	777,751	3,743,407
Capital Projects Fund	941,420	857,778	1,799,198
Debt Service Fund		439,684	439,684
Food Service Fund	<u>1,238,906</u>	<u>23,581</u>	<u>1,262,487</u>
Total Financial Assistance	<u>\$ 5,437,587</u>	<u>\$ 41,208,061</u>	<u>\$ 46,645,648</u>

**KEARNY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$2,817,963 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. The amount reported as TPAF Pension System Contributions in the amount of \$2,100,502 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$3,334,547 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2015.

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

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

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards Section

Internal Control over compliance:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>National School Breakfast Program</u>
<u>20.106</u>	<u>Department of Transportation</u>
<u> </u>	<u>Airport Improvement Program</u>
<u>84.010</u>	<u>Title I</u>
<u>84.027</u>	<u>IDEA Basic</u>
<u>84.173</u>	<u>IDEA Preschool</u>
<u> </u>	<u> </u>

Dollar threshold used to determine between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? _____ yes X none

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-078</u>	<u>Equalization Aid</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth</u>
<u>495-034-5094-003</u>	<u>TPAF Social Security</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to determine Type A programs: \$ 1,090,744

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

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**KEARNY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**KEARNY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There are none.