

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

**Kinnelon Borough School District
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



KINNELON PUBLIC SCHOOLS

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

Website: www.kinnelonpublicschools.org

Kerry Keane
Business Administrator
Board Secretary

November 9, 2015

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

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and New Jersey's OMB Circulars 04-04 and 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Kindergarten through Grade 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 2,019 students.

2) **ECONOMIC CONDITION AND OUTLOOK:** While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 11.8%. This is approximately 1.7% higher than the national average. Future home development is limited due to the implementation of the Highlands Act.

3) **MAJOR INITIATIVES:** Over the past five years, student enrollment in the Kinnelon Public Schools has diminished slightly. Our student population was anticipated and addressed through the passage of two referendums (in 2001 and 2006) to provide the needed classroom space at Stonybrook School, Pearl R. Miller Middle School and Kinnelon High School. The additions/renovations to Stonybrook and Pearl R. Miller were completed in 2004 while the Kinnelon High School Project was completed in September 2008. There are no plans for future building expansion.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 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", Note 1.

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

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

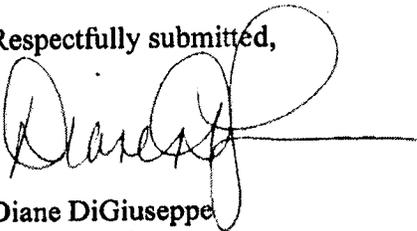
9) OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08. 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 reports related specifically to the single audit are included in the single audit section of this report.

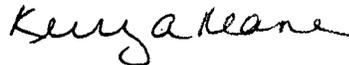
10) ACKNOWLEDGMENTS:

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

Respectfully submitted,



Diane DiGiuseppe
Superintendent



Kerry A. Keane
Board Secretary/Business Administrator

BOROUGH OF KINNELON BOARD OF EDUCATION KINNELON, NEW JERSEY

ROSTER OF OFFICIALS JUNE 30, 2015

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Denise Hatch	President	2017
Brian Davin	Vice President	2016
Jessica Barish	Member	2016
Katie Stylianou	Member	2015
Marianne DeAlessi	Member	2017
Michael Petruccelli	Member	2015
Marcy Pryor	Member	2016

Other Officials

Diane DiGiuseppe, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Andrea Kahn
McManimon & Scotland
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Apruzzese, McDermott, Mastro & Murphy
25 Independence Boulevard
Box 112
Liberty Corner, NJ 07938

OFFICIAL DEPOSITORY

Lakeland Bank
Route 23 North
Kinnelon, NJ 07405

FINANCIAL SECTION



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 16 to the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 05-18, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

November 19, 2015
Mount Arlington, New Jersey


NISIVOCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION – PART I
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Management Discussion and Analysis (Unaudited)

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Financial Highlights

The District's financial status decreased slightly on both a district-wide basis and the fund basis in the current year.

- The District's financial status remained stable on a district-wide and fund basis
- In 2014/15, the Governmental Activities had \$44,647,447 in revenue. The majority of Governmental Activities revenue was raised through local property taxes and state aid. The total Governmental Activities expenses for 2014/15 were \$44,689,383.

Overview of the Financial Statements

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

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

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

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

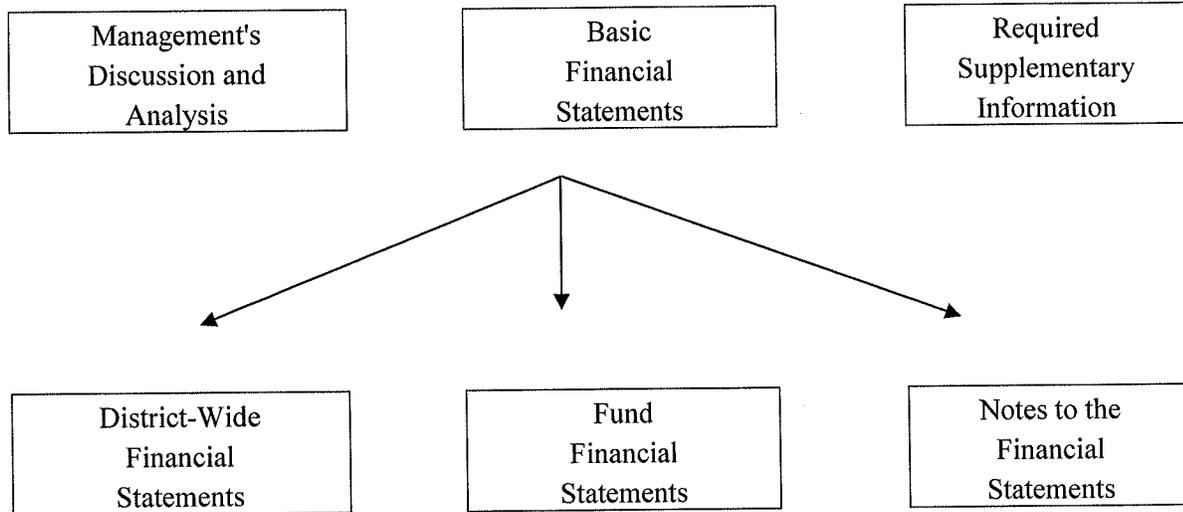


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

Net Position. The District's net position is shown in Figure A-3.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2014/15
	Governmental Activities		Business-Type Activities		Total School District		
	2013/14*	2014/15	2013/14	2014/15	2013/14	2014/15	
Current and							
Other Assets	\$ 2,622,599	\$ 2,106,617	\$ 207,987	\$ 255,701	\$ 2,830,586	\$ 2,362,318	-16.54%
Capital Assets	42,948,575	42,266,918	79,782	65,787	43,028,357	42,332,705	-1.62%
Total Assets	45,571,174	44,373,535	287,769	321,488	45,858,943	44,695,023	-2.54%
Deferred Outflows of Resources	711,486	1,348,473			711,486	1,348,473	89.53%
Long-Term Debt							
Outstanding	32,053,333	31,552,164			32,053,333	31,552,164	-1.56%
Other Liabilities	(7,297,367)	2,180,007	452	10,787	(7,296,915)	2,190,794	-130.02%
Total Liabilities	24,755,966	33,732,171	452	10,787	24,756,418	33,742,958	36.30%
Deferred Inflows of Resources		459,120				459,120	100.00%
Net Position:							
Net Investment in Capital Assets	19,254,575	21,151,918	79,782	65,787	19,334,357	21,217,705	9.74%
Restricted	861,139	677,206			861,139	677,206	-21.36%
Unrestricted/(Deficit)	(6,363,054)	(8,118,400)	207,535	244,914	(6,155,519)	(7,873,486)	27.91%
Total Net Position	\$ 13,752,660	\$ 13,710,724	\$ 287,317	\$ 310,701	\$ 14,039,977	\$ 14,021,425	-0.13%

* Restated

Changes in net position: The District's *combined* net position was \$41,936, or .13%, less than it was the year before primarily due to the general operations of the District. (See Figure A-4).

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2014/15	Business-Type Activities 2014/15	Total School District 2014/15	Governmental Activities 2013/14	Business-Type Activities 2013/14	Total School District 2013/14	Percentage Change 2014/15
Revenue:							
Program Revenue:							
Charges for Services	\$ 111,993	\$ 727,901	\$ 839,894		\$ 720,975	\$ 720,975	16.49%
Operating Grants and Contributions	9,663,459	72,344	9,735,803	\$ 5,208,200	71,737	5,279,937	84.39%
General Revenue:							
Property Taxes	34,673,171		34,673,171	34,264,746		34,264,746	1.19%
Other	198,824	363	199,187	371,372	248	371,620	-46.40%
Total Revenue	<u>44,647,447</u>	<u>800,608</u>	<u>45,448,055</u>	<u>39,844,318</u>	<u>792,960</u>	<u>40,637,278</u>	11.84%
Expenses:							
Instruction	25,627,075		25,627,075	21,872,859		21,872,859	17.16%
Pupil and Instruction Services	8,267,997		8,267,997	7,120,081		7,120,081	16.12%
Administrative and Business	3,760,660		3,760,660	3,481,185		3,481,185	8.03%
Maintenance and Operations	3,997,483		3,997,483	3,766,137		3,766,137	6.14%
Transportation	2,113,636		2,113,636	1,954,847		1,954,847	8.12%
Other	922,532	777,224	1,699,756	1,039,468	763,584	1,803,052	-5.73%
Total Expenses	<u>44,689,383</u>	<u>777,224</u>	<u>45,466,607</u>	<u>39,234,577</u>	<u>763,584</u>	<u>39,998,161</u>	13.67%
Increase/(Decrease) in Net Position	\$ (41,936)	\$ 23,384	\$ (18,552)	\$ 609,741	\$ 29,376	\$ 639,117	-102.90%

Revenue Sources. The District's total revenue for the 2014/15 school year was \$45,448,055. (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$34,673,171 of the total, or 76.29 percent. (See Figure A-5). The remainder came from State and Federal Aid, miscellaneous sources and charges for services. It is important to note that of the State and Federal Aid and Grants of \$9,735,803, \$7,026,045 is included in funds that are not received by the District, but are included in funding for Social Security which is received by the District, and pension payments and post retirement benefits that the State of New Jersey pays on behalf of the District. The Kinnelon Borough School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5

Sources of Revenue for Fiscal Year 2015

	Amount	Percentage
Sources of Income:		
Operating Grants and Contributions	\$ 9,735,803	21.42%
Property Taxes	34,673,171	76.29%
Charges for Services	839,894	1.85%
Other	199,187	0.43%
	<u>\$ 45,448,055</u>	<u>100.00%</u>

The total cost of all programs and services was \$45,466,607. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.19 percent). (See Figure A-6). The District's administrative and business activities accounted for 8.27 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2015

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 25,627,075	56.36%
Pupil and Instruction Services	8,267,997	18.18%
Administrative and Business	3,760,660	8.27%
Maintenance and Operations	3,997,483	8.79%
Transportation	2,113,636	4.65%
Other	1,699,756	3.74%
	<u>\$ 45,466,607</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased slightly. This was mostly attributable to the increased costs of maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils while revenues increased significantly less than related expenses. The District is also faced with significant increases in health benefit costs.

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

- Negotiated administrative salaries to fall within the 2.0% cap.
- Authorized participation in several co-op purchasing programs to reduce costs.
- Relocated Sisco kindergarten program into two neighborhood kindergarten programs.

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

Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014/15	2014/15	2013/14	2013/14
Instruction	\$ 25,627,075	\$ 19,148,703	\$21,872,859	\$18,317,844
Pupil and Instruction Services	8,267,997	6,593,367	7,120,081	6,195,799
Administrative and Business	3,760,660	3,131,944	3,481,185	3,188,267
Maintenance and Operations	3,997,483	3,580,965	3,766,137	3,589,084
Transportation	2,113,636	1,771,974	1,954,847	1,695,915
Other	922,532	922,532	1,039,468	1,039,468
	<u>\$ 44,689,383</u>	<u>\$ 35,149,485</u>	<u>\$39,234,577</u>	<u>\$34,026,377</u>

- The cost of all governmental activities this year was \$44,689,383.
- The federal and state governments subsidized certain programs with grants and contributions (\$5.85 million).
- Most of the District's costs (\$34.67 million), however, were financed by District taxpayers.
- A portion of governmental activities was financed with \$1,479,898 in state aid based on the SFRAPAY formula.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$23,384. (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues by approximately \$37,674.
- Enrichment program revenues exceeded expenses by approximately \$61,221.
- Enrichment program interest totaled \$370 and food service interest totaled \$156.
- A transfer from Food Service Fund to the General Fund for interest in the amount of \$163.

Financial Analysis of the District's Funds

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

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

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

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

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The budget amendment is as follows:

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

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2014/15
	Government Activities		Business-Type Activities		Total School District		
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	0.00%
Buildings and Improvements	41,424,400	42,180,441			41,424,400	42,180,441	-1.79%
Machinery and Equipment	796,708	722,324	\$ 65,787	\$ 79,782	862,495	802,106	7.53%
Total Capital Assets (net of Depreciation)	<u>\$ 42,266,918</u>	<u>\$ 42,948,575</u>	<u>\$ 65,787</u>	<u>\$ 79,782</u>	<u>\$ 42,332,705</u>	<u>\$ 43,028,357</u>	-1.62%

Depreciation expense for Government activities totaled \$1,356,140 in 2014/15. Depreciation expense for business-type activities totaled \$13,995 in 2014/15.

Long-term Debt

At year-end, the District had \$21,763,017 in general obligation bonds and other long-term debt outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9

	Outstanding Long-Term Debt		
	Total School District		Percentage Change 2014/15
	2014/15	2013/14*	
General Obligation Bonds (Financed with Property Taxes)	\$ 21,115,000	\$ 23,694,000	-10.88%
Net Pension Liability	7,609,140	7,774,034	-2.12%
Compensated Absences	648,017	585,299	10.72%
	<u>\$ 29,372,157</u>	<u>\$ 32,053,333</u>	<u>-8.36%</u>

* Restated

- The District's accrued compensated absences increased by \$62,718, mainly due to vesting of additional employees now eligible for compensated absences.
- The District paid down debt, retiring \$1,355,000 of outstanding bonds. Additionally, the District refunded a portion of its 2006 and 2007 bonds, which resulted in a defeasement of \$12,454,000 of bonds payable and an issuance of \$11,230,000 of refunding serial bonds.

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

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

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

The impact of S2937 adopted by the State of New Jersey on June 28, 2011 provides pension and health benefit reforms. This legislation has provided some long term cost containment for pension and health benefit costs. In 2014-15, the District will be in Tier IV of the health benefit contribution schedule.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 824,124	\$ 228,765	\$ 1,052,889
Receivables from Other Governments	611,734	4,061	615,795
Internal Balances	(15,242)	15,242	
Interfund Receivable	8,795		8,795
Inventory		7,633	7,633
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	677,206		677,206
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	42,221,108	65,787	42,286,895
Total Assets	<u>44,373,535</u>	<u>321,488</u>	<u>44,695,023</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	1,109,201		1,109,201
Changes in Assumptions - Pension	239,272		239,272
Total Deferred Outflows of Resources	<u>1,348,473</u>		<u>1,348,473</u>
LIABILITIES			
Current Liabilities:			
Payable to State Government	70		70
Payable to Federal Government	2,484		2,484
Unamortized Bond Premium	2,168,974		2,168,974
Prepaid Sales		10,018	10,018
Unearned Revenue	8,479	769	9,248
Noncurrent Liabilities:			
Net Pension Liability	7,609,140		7,609,140
Due Within One Year	1,454,133		1,454,133
Due Beyond One Year	20,308,884		20,308,884
Total Liabilities	<u>31,552,164</u>	<u>10,787</u>	<u>31,562,951</u>
DEFERRED INFLOWS OF RESOURCES:			
Investment Gains - Pensions	453,463		453,463
Changes in Proportions - Pensions	5,657		5,657
Total Deferred Inflows of Resources	<u>459,120</u>		<u>459,120</u>
NET POSITION			
Net Investment in Capital Assets	21,151,918	65,787	21,217,705
Restricted for:			
Capital Projects	677,206		677,206
Unrestricted/(Deficit)	(8,118,400)	244,914	(7,873,486)
Total Net Position	<u>\$ 13,710,724</u>	<u>\$ 310,701</u>	<u>\$ 14,021,425</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular	\$ 18,590,309		\$ 3,571,991		\$ (15,018,318)	\$ (15,018,318)
Special Education	4,863,506		2,578,000		(2,285,506)	(2,285,506)
Other Special Instruction	712,248		144,411		(567,837)	(567,837)
Other Instruction	1,461,012		183,970		(1,277,042)	(1,277,042)
Support services:						
Tuition	1,623,287		402,596		(1,220,691)	(1,220,691)
Student & Instruction Related Services	6,644,710		1,272,034		(5,372,676)	(5,372,676)
General Administrative Services	610,548		74,606		(535,942)	(535,942)
School Administrative Services	2,418,495		438,601		(1,979,894)	(1,979,894)
Central Services	569,105		90,296		(478,809)	(478,809)
Administrative Information Technology	162,512		25,213		(137,299)	(137,299)
Plant Operations and Maintenance	3,997,483		416,518		(3,580,965)	(3,580,965)
Pupil Transportation	2,113,636		341,662		(1,771,974)	(1,771,974)
Interest on Long-Term Debt	864,449				(864,449)	(864,449)
Capital Outlay	58,083				(58,083)	(58,083)
Total Governmental Activities	44,689,383	-0-	9,539,898	-0-	(35,149,485)	(35,149,485)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 549,686	\$ 439,512	\$ 72,344		\$ (37,830)	\$ (37,830)
Enrichment Program	227,538	288,389			60,851	60,851
Total Business-Type Activities	<u>777,224</u>	<u>727,901</u>	<u>72,344</u>		<u>23,021</u>	<u>23,021</u>
Total Primary Government	<u>\$ 45,466,607</u>	<u>\$ 727,901</u>	<u>\$ 9,612,242</u>	<u>\$ (35,149,485)</u>	<u>23,021</u>	<u>(35,126,464)</u>

General Revenues and Transfers:

Taxes:

Property Taxes, Levied for General Purposes, Net	32,480,021		32,480,021
Taxes Levied for Debt Service	2,193,150		2,193,150
Investment Earnings		526	526
Miscellaneous Income	240,951		240,951
Federal and State Aid not Restricted	193,264		193,264
Transfers	163	(163)	
Total General Revenue and Transfers	<u>35,107,549</u>	<u>363</u>	<u>35,107,912</u>
Change in Net Position	(41,936)	23,384	(18,552)
Net Position - Beginning (Restated)	<u>13,752,660</u>	<u>287,317</u>	<u>14,039,977</u>
Net Position - Ending	<u>\$ 13,710,724</u>	<u>\$ 310,701</u>	<u>\$ 14,021,425</u>

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

FUND FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 817,023	\$ 7,101		\$ 824,124
Receivables From State Government	482,822		\$ 123,561	606,383
Receivables From Federal Government		5,252		5,252
Other Receivables		99		99
Interfund Receivable	133,775			133,775
Restricted Cash and Cash Equivalents	677,206			677,206
Total Assets	\$ 2,110,826	\$ 12,452	\$ 123,561	\$ 2,246,839
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payable to State Government		\$ 70		\$ 70
Payable to Federal Government		2,484		2,484
Interfund Payable	\$ 15,242	1,419	\$ 123,561	140,222
Unearned Revenue		8,479		8,479
Total Liabilities	15,242	12,452	123,561	151,255
Fund Balances:				
Restricted for:				
Capital Reserve	677,206			677,206
Excess Surplus - Prior Year: For Subsequent Year's Expenditures	161,565			161,565
Assigned:				
Year-end Encumbrances	381,921			381,921
Unassigned	874,892			874,892
Total Fund Balances	2,095,584			2,095,584
Total Liabilities and Fund Balances	\$ 2,110,826	\$ 12,452	\$ 123,561	

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

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$66,119,447 and the accumulated depreciation is \$23,852,559.	\$ 42,266,918
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt. The original premium is \$2,471,531 and accumulated amortization is \$302,557.	(2,168,974)
Deferred amount on refunding is not reported as an expense in the governmental funds in the year of expense. The deferred amount on refunding is \$1,451,905 and the accumulated amortization is \$342,704.	1,109,201

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

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

The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	\$ (7,609,140)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Changes in Assumptions - Pensions	239,272
Investment Gains - Pensions	(453,463)
Changes in Proportions - Pensions	(5,657)
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	(21,763,017)
Net Position of Governmental Activities	\$ 13,710,724

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 32,480,021			\$ 2,193,150	\$ 34,673,171
Tuition	111,993				111,993
Interest Earned	6,236				6,236
Miscellaneous	122,722	\$ 85,038			207,760
Total - Local Sources	32,720,972	85,038		2,193,150	34,999,160
State Sources	5,312,081	1,937	\$ 123,561	69,703	5,507,282
Federal Sources		454,861			454,861
Total Revenue	38,033,053	541,836	123,561	2,262,853	40,961,303
EXPENDITURES:					
Current:					
Regular Instruction	11,754,488				11,754,488
Special Education Instruction	3,057,985	132,755			3,190,740
Other Special Instruction	459,367				459,367
Other Instruction	961,881				961,881
Support Services and Undistributed Costs:					
Tuition	1,220,692	402,596			1,623,288
Student & Instruction Related Services	4,422,087	6,485			4,428,572
General Administrative Services	448,983				448,983
School Administrative Services	1,517,683				1,517,683

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, 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
EXPENDITURES (Cont'd):					
Support Services and Undistributed Costs (Cont'd):					
Central Services	\$ 410,985				\$ 410,985
Administrative Information Technology	118,359				118,359
Plant Operations and Maintenance	3,003,338				3,003,338
Pupil Transportation	1,870,297				1,870,297
Unallocated Benefits	8,689,244				8,689,244
Debt Service:					
Principal				\$ 1,355,000	1,355,000
Interest and Other Charges				907,853	907,853
Capital Outlay	423,665		\$ 308,901		732,566
Total Expenditures	<u>38,359,054</u>	<u>\$ 541,836</u>	<u>308,901</u>	<u>2,262,853</u>	<u>41,472,644</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(326,001)</u>		<u>(185,340)</u>		<u>(511,341)</u>
OTHER FINANCING SOURCES/(USES):					
Serial Bonds Defeased				(12,454,000)	(12,454,000)
Serial Bonds Issued				11,230,000	11,230,000
Bond Issuance Costs				(129,833)	(129,833)
Deferred Interest				(503,256)	(503,256)
Bond Premium				1,857,089	1,857,089
Transfers In	163		185,340		185,503
Transfers Out	(185,340)				(185,340)
Total Other Financing Sources/(Uses)	<u>(185,177)</u>		<u>185,340</u>		<u>163</u>
Net Change in Fund Balances	(511,178)				(511,178)
Fund Balance—July 1	<u>2,606,762</u>				<u>2,606,762</u>
Fund Balance—June 30	<u>\$ 2,095,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,095,584</u>

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

KINNELON BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2)			
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:			\$ (511,178)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	Depreciation expense	\$ (1,356,140)	
	Capital outlays	<u>674,483</u>	(681,657)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.			1,355,000
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).			(62,718)
Proceeds from debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the governmental fund.	School Bond Premium	(1,857,089)	
	Bond Deferred Interest	503,256	
	School Bonds Issued	(11,230,000)	
	School Bonds Defeased	<u>12,454,000</u>	(129,833)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:			
Change in Net Pension Liability			164,894
Deferred Outflows:			
Changes in Assumptions			239,272
Deferred Inflows:			
Changes in Proportion			(5,657)
Net difference between projected and actual investment earnings on pension plan investments			(453,463)
The governmental funds report the effect of bond premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (+)			148,945
The governmental funds report the effect of deferred interest costs relative to advance refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (-)			<u>(105,541)</u>
Change in Net Position of Governmental Activities			<u>\$ (41,936)</u>

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

Exhibit B-4

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Total Business-type Activities - Non-Major Funds Enterprise Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 228,765
Accounts Receivable:	
Federal	3,798
State	263
Interfund Receivable	15,242
Inventories	7,633
	255,701
Total Current Assets	
Non-Current Assets:	
Capital Assets	388,942
Less: Accumulated Depreciation	(323,155)
	65,787
Total Non-Current Assets	
Total Assets	321,488
<u>LIABILITIES:</u>	
Current Liabilities:	
Prepaid Sales	10,018
Unearned Revenue	769
	10,787
Total Current Liabilities	
<u>NET POSITION:</u>	
Net Investment in Capital Assets	65,787
Unrestricted	244,914
	\$ 310,701

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Business-type Activities - Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 240,850		\$ 240,850
Daily Sales - Non-Reimbursable Programs	198,662		198,662
Program Fees		\$ 288,389	288,389
Total Operating Revenue	439,512	288,389	727,901
Operating Expenses:			
Cost of Sales	229,466		229,466
Salaries, Benefits & Payroll Taxes	219,663	165,375	385,038
Employee Benefits		22,153	22,153
Management Fee	15,952		15,952
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,366	38,460	39,826
Administrative Expense	69,069	1,550	70,619
Total Operating Expenses	549,686	227,538	777,224
Operating Income/(Loss)	(110,174)	60,851	(49,323)
Non-Operating Income:			
Local Sources:			
Interest Income	156	370	526
State Sources:			
State School Lunch Program	3,687		3,687
Federal Sources:			
National School Lunch Program	50,829		50,829
Food Distribution Program	17,828		17,828
Total Non-Operating Income	72,500	370	72,870
Net Income/(Loss) Before Operating Transfers	(37,674)	61,221	23,547
Operating Transfers Out - General Fund	(163)		(163)
Change in Net Position	(37,837)	61,221	23,384
Net Position - Beginning of Year	164,102	123,215	287,317
Net Position - End of Year	\$ 126,265	\$ 184,436	\$ 310,701

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

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total Business-type Activities - Enterprise Funds
	Food Service	Enrichment Program	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 449,530	\$ 288,389	\$ 737,919
Payments to Employees	(474,139)	(165,375)	(639,514)
Payments for Benefits		(22,153)	(22,153)
Payments to Suppliers	(58,035)	(38,460)	(96,495)
Payments for Administrative Expenses		(1,550)	(1,550)
Net Cash Provided by/(Used for) Operating Activities	<u>(82,644)</u>	<u>60,851</u>	<u>(21,793)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	54,600		54,600
Operating Transfer Out - General Fund	(163)		(163)
Net Cash Provided by Noncapital Financing Activities	<u>54,437</u>	<u>-0-</u>	<u>54,437</u>
Cash Flows from Investing Activities:			
Investment Income	156	370	526
Net Cash Flows Provided by Investing Activities	<u>156</u>	<u>370</u>	<u>526</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(28,051)	61,221	33,170
Cash and Cash Equivalents, July 1	72,380	123,215	195,595
Cash and Cash Equivalents, June 30	<u>\$ 44,329</u>	<u>\$ 184,436</u>	<u>\$ 228,765</u>
Reconciliation of Operating Income to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (110,174)	\$ 60,851	\$ (49,323)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	17,828		17,828
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Interfund Receivable	(15,242)		(15,242)
Decrease/(Increase) in Inventory	628		628
Increase/(Decrease) in Prepaid Sales	10,018		10,018
Increase/(Decrease) in Interfund Payable	(14)		(14)
Increase/(Decrease) in Unearned Revenue	317		317
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (82,644)</u>	<u>\$ 60,851</u>	<u>\$ (21,793)</u>

Investing and Financing Activities:

The District had \$452 in USDA donated commodities at June 30, 2014, received commodities valued at \$18,145 and used commodities valued at \$17,828 and had \$769 in commodities at June 30, 2015.

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

Exhibit B-7

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 149,180	\$ 18,304	\$ 44,328	\$ 253,535
Investments			100,000	
Total Assets	<u>149,180</u>	<u>18,304</u>	<u>144,328</u>	<u>253,535</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings				6,576
Interfund Payable General Fund				8,795
Due to Student Groups				<u>238,164</u>
Total Liabilities				<u>253,535</u>
<u>NET POSITION:</u>				
Held in Trust for:				
Flexible Spending Claims		18,304		
Unemployment Claims	149,180			
Restricted for Scholarships			144,328	
Total Net Position	<u>\$ 149,180</u>	<u>\$ 18,304</u>	<u>\$ 144,328</u>	<u>\$ -0-</u>

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

Exhibit B-8

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 60,893	\$ 23,944		\$ 84,837
Donations			\$ 92,250	92,250
Total Contributions	60,893	23,944	92,250	177,087
Investment Earnings:				
Interest	272	8	148	420
Net Investment Earnings	272	8	148	420
Total Additions	61,165	23,952	92,398	177,507
DEDUCTIONS:				
Flexible Spending Claims		5,648		5,648
Unemployment Compensation Claims	46,160			46,160
Scholarships Awarded			50,303	50,303
Total Deductions	46,160	5,648	50,303	102,111
Change in Net Position	15,005	18,304	42,095	75,396
Net Position - Beginning of the Year	134,175		102,233	236,408
Net Position - End of the Year	\$ 149,180	\$ 18,304	\$ 144,328	\$ 311,804

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include 2 elementary schools, 1 middle school, and 1 high school located in the Borough of Kinnelon. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements

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

The District reports the following governmental funds:

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

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

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

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

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

The District reports the following proprietary funds:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

B. Basis of Presentation (Cont'd)

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

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 38,037,081	\$ 542,252
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(416)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	138,149	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(142,177)</u>	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 38,033,053</u>	<u>\$ 541,836</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

D. Budgets/Budgetary Control

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,359,054	\$ 542,252
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(416)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 38,359,054	\$ 541,836

E. Cash and Cash Equivalents and Investments

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

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

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

F. Interfund Transactions

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies: (Cont'd)

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

K. Capital Assets (Cont'd)

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

Asset Class	Estimated Useful Life in Years
Buildings	50
Site Improvements	20
Furniture and Equipment	10 to 15
Computer and Related Technology	5
Vehicles	8

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

N. Compensated Absences (Cont'd)

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$2,095,584 General Fund fund balance at June 30, 2015, \$381,921 is assigned for encumbrances; \$677,206 is restricted in the capital reserve account; \$161,565 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and there is \$874,892 in unassigned fund balance.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2015 as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$142,177 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows of resources at June 30, 2015. The District had a deferred outflow of resources due to the deferred interest on the refunding at June 30, 2015.

The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

Q. Net Position (Cont'd)

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

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

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

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

R. Deficit Net Position:

The District has \$8,118,400 deficit in its governmental activities Unrestricted Net Position at June 30, 2015 primarily as a result of the investment gains in pensions of \$453,463, changes in pension assumptions of \$239,272, changes in proportion in pensions of \$5,657, net pension liability of \$7,609,140, accrual of interest and compensated absences payable offset by the assigned General Fund fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances in the General Fund at June 30, 2015.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Cont'd):

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. Pensions

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

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

Note 3. Cash and Cash Equivalents and Investments

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

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

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

Deposits

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 3. Cash and Cash Equivalents and Investments (Cont'd)

Deposits (Cont'd)

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 3. Cash and Cash Equivalents and Investments (Cont'd)

As of June 30, 2015, cash and cash equivalents and investments of the District consisted of the following:

<u>Accounts</u>	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Checking Accounts	\$ 1,518,236	\$ 677,206		\$ 2,195,442
Certificates of Deposit			\$ 100,000	100,000
	<u>\$ 1,518,236</u>	<u>\$ 677,206</u>	<u>\$ 100,000</u>	<u>\$ 2,295,442</u>

During the period ending June 30, 2015, the District did not hold any investments other than certificates of deposits. The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$2,295,442 and the bank balance was \$3,101,619.

Note 4. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance, July 1, 2014	\$ 300,100
Increase per Board Resolution June 25, 2015	562,446
Withdrawal per Board Resolution	<u>(185,340)</u>
Ending balance, June 30, 2015	<u>\$ 677,206</u>

The balance in the capital reserve account at June 30, 2015 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve account was for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 5. Capital Assets

Capital assets balances and activity for the year ended June 30, 2015 were as follows:

<u>Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Total Ending Balance</u>
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	<u>45,810</u>			<u>45,810</u>
Assets Being Depreciated:				
Buildings and Building Improvements	60,530,736	\$ 393,770		60,924,506
Machinery and Equipment	4,868,448	280,713		5,149,161
Total Assets Being Depreciated	<u>65,399,184</u>	<u>674,483</u>		<u>66,073,667</u>
Governmental Activities Capital Assets	<u>65,444,994</u>	<u>674,483</u>		<u>66,119,477</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(18,350,295)	(1,149,811)		(19,500,106)
Machinery and Equipment	(4,146,124)	(206,329)		(4,352,453)
Total Accumulated Depreciation	<u>(22,496,419)</u>	<u>(1,356,140)</u>		<u>(23,852,559)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,948,575</u>	<u>\$ (681,657)</u>	<u>\$ -0-</u>	<u>\$42,266,918</u>
Business-Type Activities:				
Machinery and Equipment	\$ 388,942			\$ 388,942
Less: Accumulated Depreciation	<u>(309,160)</u>	<u>\$ (13,995)</u>		<u>(323,155)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 79,782</u>	<u>\$ (13,995)</u>	<u>\$ -0-</u>	<u>\$ 65,787</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
Regular Instruction	\$ 871,184
Other Instruction	176,976
General Administrative Services	30,920
School Administrative Services	132,766
Plant Operations and Maintenance	134,936
Pupil Transportation	9,358
Total Depreciation Charged	<u>\$ 1,356,140</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District made transfers to capital outlay accounts of \$225,755 for the acquisition of equipment. Transfers to equipment accounts do not require approval of the County Superintendent.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 7. Long-Term Liabilities

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2014	Issued/ Accrued	Defeased	Retired	Balance June 30, 2015	Amounts Due Within One Year
Serial Bonds Payable	\$ 23,694,000	\$ 11,230,000	\$ 12,454,000	\$ 1,355,000	\$ 21,115,000	\$ 1,380,000
Net Pension Liability	7,774,034			164,894	7,609,140	
Compensated Absences	585,299	74,198		11,480	648,017	74,133
Total	\$ 24,279,299	\$ 11,304,198	\$ 12,454,000	\$ 1,366,480	\$ 21,763,017	\$ 1,454,133

A. Bonds Payable

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

On November 16, 2005, the District issued refunding school bonds of \$4,615,000 with interest rates ranging from 3.25% to 4.00% to advance refund \$4,406,000 school bonds with interest rates ranging from 4.75% to 4.80%. The bonds mature on October 1, 2009 through 2017 and October 1, 2009 was the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on October 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$148,999, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$135,485.

On September 14, 2010, the District issued refunding school bonds of \$9,980,000 with interest rates ranging from 2.00% to 4.00% to advance refund \$9,502,000 school bonds with interest rates ranging from 4.05% to 4.70%. The bonds mature on October 1, 2013 through 2021 and October 1, 2020 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on October 1, 2020. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$434,927, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$395,461.

On February 10, 2015, the District issued refunding school bonds of \$11,230,000 with interest rates ranging from 2.00% to 5.00% to advance refund \$12,454,000 school bonds with interest rates ranging from 4.00% to 4.25%. The bonds mature on February 1, 2019 through 2033 and February 1, 2026 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on February 1, 2026. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 7. Long-Term Liabilities (Cont'd)

A. Bonds Payable (Cont'd)

As a result of the advance refunding, the District will realize a total of \$1,070,140 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$828,747, or 2.75% of the bonds refunded.

The District had serial bonds outstanding as of June 30, 2015 as follows:

<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2015</u>
11/16/2005	3.75-4.00%	10/1/2017	\$ 1,560,000
12/27/2006	4.00%	2/1/2033	15,000
1/24/2007	4.20%	2/1/2033	15,000
9/14/2010	3.00-4.00%	10/1/2023	8,295,000
2/10/2015	2.00-5.00%	2/1/2033	11,230,000
			<u>\$ 21,115,000</u>

Debt service requirements on serial bonds payable at June 30, 2015 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,380,000	\$ 1,337,407	\$ 2,717,407
2017	1,375,000	811,881	2,186,881
2018	1,410,000	756,181	2,166,181
2019	955,000	709,181	1,664,181
2020	985,000	670,580	1,655,580
2021-2025	4,940,000	2,849,271	7,789,271
2026-2030	5,960,000	1,833,750	7,793,750
2031-2033	4,110,000	392,825	4,502,825
	<u>\$ 21,115,000</u>	<u>\$ 9,361,076</u>	<u>\$ 30,476,076</u>

B. Bonds Authorized but not Issued

As of June 30, 2015, the Board has no bonds authorized but not issued.

C. Capital Leases Payable

As of June 30, 2015, there were no capital leases payable.

D. Compensated Absences Payable

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. The long-term liability balance of compensated absences is \$573,884 and the short term liability is \$74,133 for Governmental Activities.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 7. Long-Term Liabilities (Cont'd)

D. Compensated Absences Payable (Cont'd)

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Food Service Fund or Enrichment Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

E. Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long term portion is \$7,609,140. See Note 8 for further information on the PERS.

Note 8. Pension Plans

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$351,128 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$7,609,140 for its proportionate share of the 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.041%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$351,128. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 239,272	
Changes in Proportion		\$ 5,657
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		453,463
	\$ 239,272	\$ 459,120

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

Fiscal Year Ending June 30,	Total
2015	\$ (69,382)
2016	(69,382)
2017	(69,382)
2018	(69,382)
2019	43,984
Thereafter	19,353
	\$ (214,191)

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	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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 U.S. 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 liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

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

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 9,572,557	\$ 7,609,140	\$ 5,960,369
Total Local per GASB 68 report Note 2 at 6/30/14	23,553,838,159	18,722,735,003	14,665,837,859
Allocation Percentage (BOE)	0.0406411768%		

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount. The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$850,463 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,536,444.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$84,305,810. 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.157%, which was a decrease of 0.005% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		84,305,810
Total	\$	84,305,810

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

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

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$4,536,444 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	<u>761,551,612</u>
	<u>\$ 543,418,268</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

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 rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<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-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. 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%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 8. Pension Plans (Cont'd)

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

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

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$16,088 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$29,495 for the fiscal year ended June 30, 2015.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 9. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. 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 in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 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's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,350,112, \$1,094,116 and \$1,189,401 for 2015, 2014 and 2013, respectively.

Note 10. Deferred Compensation

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

- | | |
|---|----------------------|
| ➤ Equitable | ➤ Metropolitan Life |
| ➤ Great West (thru Lincoln Investments) | ➤ Met Life Investors |
| ➤ Lincoln National | ➤ Valic (AIG) |

Note 11. Risk Management

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

Property and Liability Insurance:

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

New Jersey Unemployment Compensation Insurance:

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

Note 11. Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd):

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

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

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ 60,893	\$ 272	\$ 46,160	\$ 149,180
2013-2014	57,347	271	54,232	134,175
2012-2013	94,830	291	158,914	130,789

Property, Liability and Health Benefits

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

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

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

The June 30, 2015 audit report is not available as of the date of this report. Selected summarized financial information for the Pool as of June 30, 2014 is as follows:

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 11. Risk Management (Cont'd)

Year Ended June 30, 2014	Pooled Insurance Program of New Jersey
Total Assets	\$ 22,450,519
Net Position	\$ 6,847,812
Total Revenue	\$ 8,106,185
Total Expenses and Adjustments	\$ 5,449,440
Change in Net Position	\$ 2,656,745
Members Dividends	\$ 1,406,890

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

Pooled Insurance Program of New Jersey

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

Note 12. Tax Calendar

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

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

Note 13. Contingent Liabilities

Grant Programs

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

Litigation

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 13. Contingent Liabilities (Cont'd)

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2015, if any, is unknown.

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>
\$ 381,921	\$ 416	\$ 382,337

On the District's Governmental Fund Balance Sheet as of June 30, 2014, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$416 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

Note 14. Economic Dependency

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

Note 15. Interfund Receivables and Payables:

The District had the following interfunds payables or receivables as of June 30, 2015.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 133,775	\$ 15,242
Special Revenue Fund		1,419
Capital Projects Fund		123,561
Enterprise Fund - Food Service	15,242	
Payroll Agency Fund		8,795
	<u>\$ 149,017</u>	<u>\$ 149,017</u>

The interfund activity between the Payroll Agency Fund and the General Fund is due to excess funds transferred to cover payroll expenses. The interfund due from the General Fund to the Enterprise Fund is due to a refund collected in the General Fund and not turned over by year end. The interfund activity between the General Fund and the Special Revenue Fund is due to the timing of the collection of Federal grant receipts. The interfund due from the Capital Projects Fund to the General Fund is for funds advanced that are to be returned.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 16. Prior Period Adjustments

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 24,279,229	\$ 7,774,104	\$ 32,053,333
Total Liabilities	24,755,966	7,774,104	24,755,966
Net Position:			
Unrestricted/(Deficit)	1,410,980	(7,774,104)	(6,363,054)
Total Net Position	21,526,694	(7,774,104)	13,752,660

Note 17. Operating Lease Payable

The District has commitments to lease copiers under operating leases which expire in 2020. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2016	\$ 13,739
June 30, 2017	14,988
June 30, 2018	14,988
June 30, 2019	14,988
June 30, 2020	14,988
June 30, 2021	1,249
Total future minimum lease payments	<u>\$ 74,940</u>

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0406762187%	0.0406411768%
District's proportionate share of the net pension liability	\$ 7,774,034	\$ 7,609,140
District's covered employee payroll	\$ 2,986,913	\$ 3,155,047
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	260.27%	241.17%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

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

KINNELON BOARD OF EDUCATION - SPECIAL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 367,442	\$ 327,943
Contributions in relation to the contractually required contribution	(367,442)	(327,943)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,986,913	\$ 3,155,047
Contributions as a percentage of covered employee payroll	12.30%	10.39%

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

KINNELON BOARD OF EDUCATION - SPECIAL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable to the District	0.1577379682%	0.1627893584%
State's proportionate share of the net pension liability attributable to the District	\$ 82,272,462	\$ 84,305,810
District's covered employee payroll	\$ 16,179,613	\$ 16,525,825
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	508.49%	510.15%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 32,480,021		\$ 32,480,021	\$ 32,480,021	
Tuition - Other Lea's	100,000		100,000	69,670	\$ (30,330)
Tuition - Individuals				42,323	42,323
Interest Revenue	1		1	6,236	6,235
Miscellaneous	200,000		200,000	122,722	(77,278)
Total - Local Sources	32,780,022		32,780,022	32,720,972	(59,050)
State Sources:					
Transportation Aid	193,798		193,798	193,798	
Special Education Aid	1,080,571		1,080,571	1,080,571	
Security Aid	165,159		165,159	165,159	
PARCC Readiness Aid	20,185		20,185	20,185	
Per Pupil Growth Aid	20,185		20,185	20,185	
Extraordinary Aid	109,374		109,374	409,535	300,161
Additional Nonpublic School Transportation Aid				14,268	14,268
On-Behalf TPAF Pension Payments (Non-Budgeted)				850,463	850,463
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,350,112	1,350,112
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				1,211,833	1,211,833
Total State Sources	1,589,272		1,589,272	5,316,109	3,726,837
TOTAL REVENUES	34,369,294		34,369,294	38,037,081	3,667,787

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 331,575	\$ 1,722	\$ 333,297	\$ 333,247	\$ 50
Grades 1-5 - Salaries of Teachers	3,166,360	153,699	3,320,059	3,319,445	614
Grades 6-8 - Salaries of Teachers	2,857,113	3,967	2,861,080	2,861,080	
Grades 9-12 - Salaries of Teachers	4,026,212	60,499	4,086,711	4,086,711	
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	11,193	51,193	51,193	
Purchased Professional - Educational Services	5,528	5,795	11,323	11,323	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	14,778	(9,214)	5,564	5,564	
Purchased Professional - Educational Services	148,231	(49,305)	98,926	82,131	16,795
Other Purchased Services	256,478	(6,037)	250,441	224,325	26,116
General Supplies	782,278	37,924	820,202	692,771	127,431
Textbooks	95,883	(3,054)	92,829	85,816	7,013
Other Objects	2,400	(1,335)	1,065	882	183
Total Regular Programs - Instruction	11,726,836	205,854	11,932,690	11,754,488	178,202

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 162,208	\$ 24,099	\$ 186,307	\$ 186,307	
Other Salaries for Instruction	89,763	(9,209)	80,554	80,490	\$ 64
General Supplies	4,490	5,750	10,240	9,266	974
Total Learning and/or Language Disabilities	<u>256,461</u>	<u>20,640</u>	<u>277,101</u>	<u>276,063</u>	<u>1,038</u>
Auditory Impairments:					
Salaries of Teachers	57,835	5,205	63,040	63,040	
Total Auditory Impairments	<u>57,835</u>	<u>5,205</u>	<u>63,040</u>	<u>63,040</u>	
Multiple Disabilities:					
Salaries of Teachers	165,315	5,901	171,216	171,216	
Other Salaries for Instruction	24,524	23,784	48,308	48,308	
General Supplies	3,108	(415)	2,693	2,692	1
Total Multiple Disabilities	<u>192,947</u>	<u>29,270</u>	<u>222,217</u>	<u>222,216</u>	<u>1</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,787,711	67,821	1,855,532	1,855,531	1
Other Salaries for Instruction	101,701	232,445	334,146	334,146	
General Supplies	18,211	1,300	19,511	19,509	2
Total Resource Room/Resource Center	<u>1,907,623</u>	<u>301,566</u>	<u>2,209,189</u>	<u>2,209,186</u>	<u>3</u>
Autistic:					
Salaries of Teachers	106,377	1,393	107,770	107,770	
Other Salaries for Instruction	98,148	(16,378)	81,770	81,770	
General Supplies	5,201	(8)	5,193	4,195	998
Total Autistic	<u>209,726</u>	<u>(14,993)</u>	<u>194,733</u>	<u>193,735</u>	<u>998</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	57,635	1,440	59,075	58,950	125
Other Salaries for Instruction	24,448	8,578	33,026	33,026	
General Supplies	2,260		2,260	1,769	491
Total Preschool Disabilities - Part-time	<u>84,343</u>	<u>10,018</u>	<u>94,361</u>	<u>93,745</u>	<u>616</u>
Total Special Education Instruction	<u>2,708,935</u>	<u>351,706</u>	<u>3,060,641</u>	<u>3,057,985</u>	<u>2,656</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 363,586	\$ 56,375	\$ 419,961	\$ 419,961	
General Supplies	2,780	(1,390)	1,390	1,301	\$ 89
Total Basic Skills/Remedial - Instruction	<u>366,366</u>	<u>54,985</u>	<u>421,351</u>	<u>421,262</u>	<u>89</u>
Bilingual Education - Instruction:					
Salaries of Teachers	36,354	319	36,673	36,673	
General Supplies	500	933	1,433	1,432	1
Total Bilingual Education - Instruction	<u>36,854</u>	<u>1,252</u>	<u>38,106</u>	<u>38,105</u>	<u>1</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	214,452	(19,463)	194,989	150,735	44,254
Supplies and Materials	14,155	(210)	13,945	12,148	1,797
Other Objects	4,400	16,468	20,868	20,602	266
Total School-Sponsored Cocurricular Activities - Instruction	<u>233,007</u>	<u>(3,205)</u>	<u>229,802</u>	<u>183,485</u>	<u>46,317</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	460,061	(21,998)	438,063	430,989	7,074
Purchased Services	272,628	(29,600)	243,028	235,557	7,471
Supplies and Materials	94,403	3,000	97,403	94,854	2,549
Other Objects	33,095	(16,000)	17,095	16,996	99
Total School-Sponsored Cocurricular Athletics - Instruction	<u>860,187</u>	<u>(64,598)</u>	<u>795,589</u>	<u>778,396</u>	<u>17,193</u>
Total Instruction	<u>15,932,185</u>	<u>545,994</u>	<u>16,478,179</u>	<u>16,233,721</u>	<u>244,458</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 406,618	\$ (264,282)	\$ 142,336	\$ 140,565	\$ 1,771
Tuition to County Vocational School District - Regular	147,856	9,626	157,482	150,258	7,224
Tuition to County Vocational School District - Special	38,560	(11,959)	26,601	22,111	4,490
Tuition to County Special Services and Regular Day Schools		982,250	982,250	907,758	74,492
Tuition to Private Schools for the Handicapped - Within State	591,107	(591,107)			
Total Undistributed Expenditures - Instruction:	<u>1,184,141</u>	<u>124,528</u>	<u>1,308,669</u>	<u>1,220,692</u>	<u>87,977</u>
Health Services:					
Salaries	352,231	49,960	402,191	402,191	
Purchased Professional and Technical Services	23,500	7,644	31,144	31,144	
Supplies and Materials	11,144	504	11,648	11,601	47
Total Health Services	<u>386,875</u>	<u>58,108</u>	<u>444,983</u>	<u>444,936</u>	<u>47</u>
Other Support Services - Students Speech OT, PT and Related Services:					
Salaries	421,591	17,486	439,077	439,077	
Purchased Professional Educational Services	13,201	(6,023)	7,178	5,306	1,872
Supplies and Materials	4,209		4,209	4,167	42
Total Other Support Services - Students Speech OT, PT and Related Services	<u>439,001</u>	<u>11,463</u>	<u>450,464</u>	<u>448,550</u>	<u>1,914</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	545,784	(82,501)	463,283	457,661	5,622
Purchased Professional - Educational Services	246,558	(164,994)	81,564	75,380	6,184
Total Other Support Services - Students - Extraordinary Services	<u>792,342</u>	<u>(247,495)</u>	<u>544,847</u>	<u>533,041</u>	<u>11,806</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 661,461	\$ 58,656	\$ 720,117	\$ 720,116	\$ 1
Salaries of Secretarial and Clerical Assistants	103,700	4,240	107,940	107,940	
Other Purchased Professional and Technical Services	7,025	4,000	11,025	335	10,690
Supplies and Materials	30,417	(616)	29,801	26,466	3,335
Total Other Support Services - Students - Guidance	<u>802,603</u>	<u>66,280</u>	<u>868,883</u>	<u>854,857</u>	<u>14,026</u>
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	768,085	92,027	860,112	860,112	
Salaries of Secretarial and Clerical Assistants	81,860	4,656	86,516	86,516	
Purchased Professional - Educational Services	36,230	(17,658)	18,572	18,272	300
Other Purchased Professional and Technical Services	14,150	1,813	15,963	13,088	2,875
Miscellaneous Purchased Services	20,865	(7,824)	13,041	11,262	1,779
Supplies and Materials	19,097	50	19,147	18,339	808
Other Objects	4,580	6,612	11,192	11,192	
Total Other Support Services - Students - Child Study Team	<u>944,867</u>	<u>79,676</u>	<u>1,024,543</u>	<u>1,018,781</u>	<u>5,762</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	469,753	(11,164)	458,589	458,589	
Salaries of Other Professional Staff	51,893	(9,563)	42,330	42,330	
Purchased Professional - Educational Services	8,000	(5,000)	3,000	3,000	
Other Purchased Services	3,000	2,999	5,999	4,799	1,200
Supplies and Materials	6,700	2,556	9,256	8,993	263
Other Objects	3,175	3,820	6,995	6,494	501
Total Improvement of Instructional Services	<u>542,521</u>	<u>(16,352)</u>	<u>526,169</u>	<u>524,205</u>	<u>1,964</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media Services/School Library:					
Salaries	\$ 289,609	\$ (5,933)	\$ 283,676	\$ 283,368	\$ 308
Salaries of Technology Coordinators	138,661	4,996	143,657	143,656	1
Supplies and Materials	52,147	4,951	57,098	52,928	4,170
Other Objects	23,900	4,110	28,010	28,005	5
Total Educational Media Services/School Library	504,317	8,124	512,441	507,957	4,484
Instructional Staff Training Services:					
Salaries of Other Professional Staff	7,856	(5,721)	2,135	177	1,958
Purchased Professional - Educational Services	28,200	23,813	52,013	52,013	
Other Purchased Services	21,350	1,992	23,342	21,367	1,975
Supplies and Materials	11,600	5,834	17,434	16,203	1,231
Total Instructional Staff Training Services	69,006	25,918	94,924	89,760	5,164
Support Services - General Administration:					
Salaries	236,372	(464)	235,908	235,908	
Legal Services	38,000	5,500	43,500	40,902	2,598
Audit Fees	40,065	(4,500)	35,565	35,500	65
Other Purchased Professional Services	4,449	(1,200)	3,249	3,190	59
Communications/Telephone	80,764	484	81,248	80,609	639
BOE Other Purchased Services	4,600	(4,400)	200	200	
Purchased Services	8,340	22,033	30,373	29,709	664
General Supplies	3,800	(1,766)	2,034	2,034	
Miscellaneous Expenditures	3,200	(3,125)	75	75	
BOE Membership Dues and Fees	22,600	(1,740)	20,860	20,856	4
Total Support Services - General Administration	442,190	10,822	453,012	448,983	4,029

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,053,974	\$ (29,411)	\$ 1,024,563	\$ 1,024,563	
Salaries of Secretarial and Clerical Assistants	339,802	22,513	362,315	362,315	
Purchased Professional and Technical Services	18,050	14,426	32,476	30,933	\$ 1,543
Other Purchased Services	73,300	(2,061)	71,239	65,276	5,963
Supplies and Materials	10,829	17,089	27,918	27,807	111
Other Objects	8,332	(1,367)	6,965	6,789	176
	<u>1,504,287</u>	<u>21,189</u>	<u>1,525,476</u>	<u>1,517,683</u>	<u>7,793</u>
Total Support Services - School Administration					
Central Services:					
Salaries	264,841	20,681	285,522	285,521	1
Purchased Professional Services	93,845	(7,700)	86,145	84,390	1,755
Purchased Technical Services	19,694	4,185	23,879	21,959	1,920
Miscellaneous Purchased Services	13,465	(3,000)	10,465	9,121	1,344
Supplies and Materials	7,813	1,200	9,013	8,365	648
Other Objects	1,665	3,511	5,176	1,629	3,547
	<u>401,323</u>	<u>18,877</u>	<u>420,200</u>	<u>410,985</u>	<u>9,215</u>
Total Central Services					
Administration Information Technology:					
Salaries	77,781	1,945	79,726	79,726	
Purchased Technical Services		39,000	39,000	38,633	367
	<u>77,781</u>	<u>40,945</u>	<u>118,726</u>	<u>118,359</u>	<u>367</u>
Total Administration Information Technology					

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Required Maintenance of School Facilities:					
Salaries	\$ 65,953	\$ 32,117	\$ 98,070	\$ 98,066	\$ 4
Cleaning, Repair and Maintenance Services	343,410	13,305	356,715	353,659	3,056
General Supplies	17,300	(5,907)	11,393	7,675	3,718
Total Required Maintenance of School Facilities	<u>426,663</u>	<u>39,515</u>	<u>466,178</u>	<u>459,400</u>	<u>6,778</u>
Custodial Services:					
Salaries	1,029,938	99,792	1,129,730	1,129,535	195
Salaries of Non-Instructional Aides	93,538	(93,538)			
Purchased Professional and Technical Services	41,829	13,261	55,090	54,989	101
Cleaning, Repair and Maintenance Services	75,675	(373)	75,302	72,901	2,401
Other Purchased Property Services	97,613	12,209	109,822	109,821	1
Insurance	207,113	(13,699)	193,414	193,414	
General Supplies	128,848	(7,622)	121,226	120,042	1,184
Energy (Electricity)	684,456	(403,327)	281,129	267,690	13,439
Energy (Natural Gas)	233,260	262,374	495,634	430,990	64,644
Other Objects	5,297		5,297	4,645	652
Total Custodial Services	<u>2,597,567</u>	<u>(130,923)</u>	<u>2,466,644</u>	<u>2,384,027</u>	<u>82,617</u>
Care and Upkeep of Grounds:					
Salaries	108,103	(18,652)	89,451	89,451	
Cleaning, Repair & Maintenance Services	45,900	12,824	58,724	45,224	13,500
General Supplies	40,300	(10,500)	29,800	25,236	4,564
Total Care and Upkeep of Grounds	<u>194,303</u>	<u>(16,328)</u>	<u>177,975</u>	<u>159,911</u>	<u>18,064</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries Pupil Transportation Home and School Regular	\$ 379,919	\$ 42,586	\$ 422,505	\$ 422,505	
Other Purchased Professional Services		285	285	285	
Cleaning, Repair, & Maintenance Services	35,500	13,500	49,000	48,972	\$ 28
Lease Purchase Payments - School Buses	108,401	(86,385)	22,016	20,668	1,348
Contracted Services:					
Transportation Services - Between Home and School	789,469	(3,500)	785,969	775,879	10,090
Transportation Services - Between Home and School Other	48,615	12,330	60,945	55,820	5,125
Transportation Services - Special Education-ESC's & CTSA's	469,971	(6,393)	463,578	418,191	45,387
Transportation Services - Aid in Lieu-Nonpublic Students	92,127		92,127	74,669	17,458
Miscellaneous Purchased Services- Transportation	2,790	(190)	2,600	1,064	1,536
General Supplies	68,000	(6,415)	61,585	51,473	10,112
Other Objects	569	252	821	771	50
Total Student Transportation Services	1,995,361	(33,930)	1,961,431	1,870,297	91,134
Unallocated Benefits:					
Social Security Contributions	410,859	(60,754)	350,105	436,381	(86,276)
Other Retirement Contributions - PERS	391,382	(15,000)	376,382	351,128	25,254
Unemployment Compensation	25,000	(23,598)	1,402		1,402
Workmen's Compensation	212,582	(39,413)	173,169	151,403	21,766
Health Benefits	4,923,614	(685,476)	4,238,138	4,201,428	36,710
Tuition Reimbursement	177,660	(7,925)	169,735	135,714	34,021
Other Employee Benefits	830		830	782	48
Total Unallocated Benefits	6,141,927	(832,166)	5,309,761	5,276,836	32,925

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 850,463	\$ (850,463)
On-Behalf TPAF Post Retirements Medical Benefits (Nonbudgeted)				1,350,112	(1,350,112)
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				1,211,833	(1,211,833)
Total On-Behalf Contributions				3,412,408	(3,412,408)
Total Personal Services - Employee Benefits	\$ 6,141,927	\$ (832,166)	\$ 5,309,761	8,689,244	(3,379,483)
Total Undistributed Expenses	19,447,075	(771,749)	18,675,326	21,701,668	(3,026,342)
TOTAL CURRENT EXPENSE	35,379,260	(225,755)	35,153,505	37,935,389	(2,781,884)
CAPITAL OUTLAY					
Equipment - Grades 9-12	33,365	13,000	46,365	45,823	542
Undistributed Expenditures - Non-instructional Services	203,017	76,221	279,238	190,017	89,221
Undistributed Expenditures - Security		70,035	70,035		70,035
Undistributed Expenditures - Required Maintenance for School Facilities	110,997	66,499	177,496	129,742	47,754
Total Equipment	347,379	225,755	573,134	365,582	207,552
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	58,083		58,083	58,083	
Total Facilities Acquisition and Construction Services	58,083		58,083	58,083	
TOTAL CAPITAL OUTLAY	405,462	225,755	631,217	423,665	207,552
TOTAL EXPENDITURES	35,784,722		35,784,722	38,359,054	(2,574,332)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,415,428)		(1,415,428)	(321,973)	1,093,455
Other Financing Sources/(Uses):					
Operating Transfer from Food Service Fund				163	163
Transfer of Capital reserve to Capital Projects Fund		(185,340)	(185,340)	(185,340)	
Total Other Financing Sources/(Uses)		(185,340)	(185,340)	(185,177)	163

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (1,415,428)	\$ (185,340)	\$ (1,600,768)	\$ (507,150)	\$ 1,093,618
Fund Balance, July 1	<u>2,744,911</u>		<u>2,744,911</u>	<u>2,744,911</u>	
Fund Balance, June 30	<u>\$ 1,329,483</u>	<u>\$ (185,340)</u>	<u>\$ 1,144,143</u>	<u>\$ 2,237,761</u>	<u>\$ 1,093,618</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 677,206	
Excess Surplus - Prior Year's - For Subsequent Year's Expenditures				161,565	
Assigned:					
Year-end Encumbrances				381,921	
Unassigned				<u>1,017,069</u>	
				2,237,761	
Reconciliation to Governmental Funds Statements (GAAP):					
Final Two State Aid Payments not recognized on GAAP basis				<u>(142,177)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,095,584</u>	

Exhibit C-2

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 2,714	\$ (290)	\$ 2,424	\$ 2,353	\$ (71)
Federal Sources	380,883	73,978	454,861	454,861	
Local Sources	10,999	74,039	85,038	85,038	
Total Revenues	<u>394,596</u>	<u>147,727</u>	<u>542,323</u>	<u>542,252</u>	<u>(71)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	42,084	142	42,226	42,226	
Purchased Professional Educational Services	4,787		4,787	4,787	
Tuition	328,760	73,836	402,596	402,596	
General Supplies	357	59	416	416	
Textbooks	979	(204)	775	704	71
Other Objects	10,999	74,039	85,038	85,038	
Total Instruction	<u>387,966</u>	<u>147,872</u>	<u>535,838</u>	<u>535,767</u>	<u>71</u>
Support Services:					
Personal Services - Employee Benefit	5,252		5,252	5,252	
Purchased Professional Services	1,378	(145)	1,233	1,233	
Total Support Services	<u>6,630</u>	<u>(145)</u>	<u>6,485</u>	<u>6,485</u>	
Total Expenditures	<u>394,596</u>	<u>147,727</u>	<u>542,323</u>	<u>542,252</u>	<u>71</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 38,037,081	\$ 542,252
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(416)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	138,149	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(142,177)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 38,033,053	\$ 541,836
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,359,054	\$ 542,252
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(416)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 38,359,054	\$ 541,836

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2015, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SPECIAL REVENUE FUND

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u> <u>Title IIA</u>	<u>IDEA</u> <u>Part B</u> <u>Basic</u>	<u>IDEA</u> <u>Part B</u> <u>Preschool</u>	<u>Non-Public</u> <u>Nursing</u>	<u>Non-Public</u> <u>Technology</u>
REVENUE:					
State Sources				\$ 1,233	\$ 416
Federal Sources	\$ 36,287	\$ 402,596	\$ 15,978		
Local Sources					
Total Revenue	<u>36,287</u>	<u>402,596</u>	<u>15,978</u>	<u>1,233</u>	<u>416</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	26,248		15,978		
Purchased Educational Services	4,787				
Tuition		402,596			
General Supplies					416
Textbooks					
Other Miscellaneous					
Total Instruction	<u>31,035</u>	<u>402,596</u>	<u>15,978</u>		<u>416</u>
Support Services:					
Personal Service - Employee Benefit	5,252				
Purchased Professional Services				1,233	
Total Support Services	<u>5,252</u>			<u>1,233</u>	
Total Expenditures	<u>\$ 36,287</u>	<u>\$ 402,596</u>	<u>\$ 15,978</u>	<u>\$ 1,233</u>	<u>\$ 416</u>

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Non-Public Textbook</u>	<u>Local Grants</u>	<u>Totals June 30, 2015</u>
REVENUE:			
State Sources	\$ 704		\$ 2,353
Federal Sources			454,861
Local Sources		\$ 85,038	85,038
	<hr/>	<hr/>	<hr/>
Total Revenue	704	85,038	542,252
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EXPENDITURES:			
Instruction:			
Salaries of Teachers			42,226
Purchased Educational Services			4,787
Tuition			402,596
General Supplies			416
Textbooks	704		704
Other Miscellaneous		85,038	85,038
	<hr/>	<hr/>	<hr/>
Total Instruction	704	85,038	535,767
	<hr/>	<hr/>	<hr/>
Support Services:			
Personal Service - Employee Benefit			5,252
Purchased Professional Services			1,233
	<hr/>	<hr/>	<hr/>
Total Support Services			6,485
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 704	\$ 85,038	\$ 542,252
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Exhibit E-2

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

CAPITAL PROJECTS FUND

F-1

KINNELON BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 123,561
Transfer from Capital Reserve	<u>185,340</u>
Total Revenue and Other Financing Sources	<u>308,901</u>
Expenditures:	
Purchased Professional and Technical Services	23,907
Construction Services	<u>284,994</u>
Total Expenditures	<u>308,901</u>
(Excess) of Revenue and Other Financing Sources Over Expenditures	<u>-0-</u>
Fund Balance - Beginning of Year	<u>-0-</u>
Fund Balance - End of Year	<u><u>\$ -0-</u></u>

KINNELON BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
KIEL SCHOOL ROOF AND FIRE ALARM
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Current Year	Totals	Authorized Cost
Revenue and Other Financing Sources:			
State Sources - SDA Grant	\$ 60,886	\$ 60,886	\$ 60,886
Transfer from Capital Reserve	91,328	91,328	91,328
Total Revenue and Other Financing Sources	152,214	152,214	152,214
Expenditures:			
Purchased Professional and Technical Services	12,220	12,220	12,220
Construction Services	139,994	139,994	139,994
Total Expenditures	152,214	152,214	152,214
Excess/(deficit) of Revenue and other Financing Sources Over/(Under)Expenditures	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Number:	
Kiel School Roof and Fire Alarm	2460-060-14-1002-G04
Grant Date	7/15/2014
Original Authorized Cost	\$ 151,175
Revised Authorized Cost	N/A
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	6/30/2015
Revised Target Completion Date	N/A

KINNELON BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
KINNELON HIGH SCHOOL ROOF
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:			
SDA Grants	\$ 62,675	\$ 62,675	\$ 62,675
Transfer from Capital Reserve	94,012	94,012	94,012
Total Revenue and Other Financing Sources	<u>156,687</u>	<u>156,687</u>	<u>156,687</u>
Expenditures:			
Purchased Professional and Technical Services	11,687	11,687	11,687
Construction Services	145,000	145,000	145,000
Total Expenditures	<u>156,687</u>	<u>156,687</u>	<u>156,687</u>
Excess/(deficit) of Revenue and other Financing Sources Over/(Under)Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number:
 Kinnelon High School Roof 2460-050-14-1001-G04
 Grant Date 7/15/2014
 Original Authorized Cost \$ 148,925

Percentage Increase over Original
 Authorized Cost N/A
 Percentage Completion 100.00%
 Original Target Completion Date 9/30/2015
 Revised Target Completion Date N/A

PROPRIETARY FUNDS

Exhibit G-1

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total Enterprise Funds
	Food Service	Enrichment Program	
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 44,329	\$ 184,436	\$ 228,765
Accounts Receivable:			
Federal	3,798		3,798
State	263		263
Interfund Receivable	15,242		15,242
Inventories	7,633		7,633
Total Current Assets	71,265	184,436	255,701
Non-Current Assets:			
Capital Assets	388,942		388,942
Less: Accumulated Depreciation	(323,155)		(323,155)
Total Non-Current Assets	65,787		65,787
Total Assets	137,052	184,436	321,488
<u>LIABILITIES:</u>			
Current Liabilities:			
Prepaid Sales	10,018		10,018
Unearned Revenue	769		769
Total Current Liabilities	10,787		10,787
<u>NET POSITION:</u>			
Net Investment in Capital Assets	65,787		65,787
Unrestricted	60,478	184,436	244,914
Total Net Position	\$ 126,265	\$ 184,436	\$ 310,701

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 240,850		\$ 240,850
Daily Sales - Non-Reimbursable Programs	198,662		198,662
Program Fees		\$ 288,389	288,389
Total Operating Revenue	439,512	288,389	727,901
Operating Expenses:			
Cost of Sales	229,466		229,466
Salaries, Benefits & Payroll Taxes	219,663	165,375	385,038
Employee Benefits		22,153	22,153
Management Fee	15,952		15,952
Professional and Technical Services	175		175
Depreciation Expense	13,995		13,995
Supplies and Materials	1,366	38,460	39,826
Administrative Expenses	69,069	1,550	70,619
Total Operating Expenses	549,686	227,538	777,224
Operating Income/(Loss)	(110,174)	60,851	(49,323)
Non-Operating Income:			
Local Sources:			
Interest Income	156	370	526
State Sources:			
State School Lunch Program	3,687		3,687
Federal Sources:			
National School Lunch Program	50,829		50,829
Food Distribution Program	17,828		17,828
Total Non-Operating Income	72,500	370	72,870
Net Income/(Loss) Before Operating Transfers	(37,674)	61,221	23,547
Operating Transfers Out - General Fund	(163)		(163)
Change in Net Position	(37,837)	61,221	23,384
Net Position - Beginning of Year	164,102	123,215	287,317
Net Position - End of Year	\$ 126,265	\$ 184,436	\$ 310,701

Exhibit G-3

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 449,530	\$ 288,389	\$ 737,919
Payments to Employees	(474,139)	(165,375)	(639,514)
Payments for Benefits		(22,153)	(22,153)
Payments to Suppliers	(58,035)	(38,460)	(96,495)
Payments for Administrative Expenses		(1,550)	(1,550)
Net Cash Provided by/(Used for) Operating Activities	<u>(82,644)</u>	<u>60,851</u>	<u>(21,793)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	54,600		54,600
Operating Transfer Out - General Fund	(163)		(163)
Net Cash Provided by Noncapital Financing Activities	<u>54,437</u>		<u>54,437</u>
Cash Flows from Investing Activities:			
Interest Earned	156	370	526
Net Cash Flows Provided by Investing Activities	<u>156</u>	<u>370</u>	<u>526</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(28,051)	61,221	33,170
Cash and Cash Equivalents, July 1	<u>72,380</u>	<u>123,215</u>	<u>195,595</u>
Cash and Cash Equivalents, June 30	<u>\$ 44,329</u>	<u>\$ 184,436</u>	<u>\$ 228,765</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (110,174)	\$ 60,851	\$ (49,323)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	17,828		17,828
Depreciation Expense	13,995		13,995
Changes in Assets and Liabilities:			
Decrease/(Increase) in Inventory	628		628
Decrease/(Increase) in Interfund Receivable	(15,242)		(15,242)
Increase/(Decrease) in Prepaid Sales	10,018		10,018
Increase/(Decrease) in Interfund Payable	(14)		(14)
Increase/(Decrease) in Unearned Revenue	317		317
Net Cash Provided by Operating Activities	<u>\$ (82,644)</u>	<u>\$ 60,851</u>	<u>\$ (21,793)</u>

Investing and Financing Activities:

The District had \$452 in USDA donated commodities at June 30, 2014, received commodities valued at \$18,145 and used commodities valued at \$17,828 and had \$769 in commodities at June 30, 2015.

FIDUCIARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Agency		Totals
				Student Activity	Payroll	
<u>ASSETS:</u>						
Cash and Cash Equivalents	\$ 149,180	\$ 18,304	\$ 44,328	\$ 238,164	\$ 15,371	\$ 465,347
Investments			100,000			100,000
Total Assets	149,180	18,304	144,328	238,164	15,371	565,347
<u>LIABILITIES:</u>						
Payroll Deductions and Withholdings					6,576	6,576
Interfund Payable General Fund					8,795	8,795
Due to Student Groups				238,164		238,164
Total Liabilities				238,164	15,371	253,535
<u>NET POSITION:</u>						
Held in Trust for:						
Flexible Spending Claims		18,304				18,304
Unemployment Claims	149,180					149,180
Restricted for Scholarships			144,328			144,328
Total Net Position	\$ 149,180	\$ 18,304	\$ 144,328	\$ -0-	\$ -0-	\$ 311,812

Exhibit H-2

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 60,893	\$ 23,944		\$ 84,837
Donations			\$ 92,250	92,250
Total Contributions	60,893	23,944	92,250	177,087
Investment Earnings:				
Interest	272	8	148	420
Net Investment Earnings	272	8	148	420
Total Additions	61,165	23,952	92,398	177,507
DEDUCTIONS:				
Flexible Spending Claims		5,648		5,648
Unemployment Compensation Claims	46,160			46,160
Scholarships Awarded			50,303	50,303
Total Deductions	46,160	5,648	50,303	102,111
Change in Net Position	15,005	18,304	42,095	75,396
Net Position - Beginning of the Year	134,175		102,233	236,408
Net Position - End of the Year	\$ 149,180	\$ 18,304	\$ 144,328	\$ 311,804

Exhibit H-3

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 251,868	\$ 535,583	\$ 549,287	\$ 238,164
Total Assets	<u>\$ 251,868</u>	<u>\$ 535,583</u>	<u>\$ 549,287</u>	<u>\$ 238,164</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 251,868	\$ 535,583	\$ 549,287	\$ 238,164
Total Liabilities	<u>\$ 251,868</u>	<u>\$ 535,583</u>	<u>\$ 549,287</u>	<u>\$ 238,164</u>

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY BY SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 20,342	\$ 19,743	\$ 25,835	\$ 14,250
Stony Brook School Activity Account	43,717	101,016	113,814	30,919
Pearl R. Miller Middle School Activity Account	33,844	108,083	92,999	48,928
Kinnelon High School Activity Account	143,065	208,286	244,568	106,783
Kinnelon High School Athletic Account	10,900	62,321	71,414	1,807
Kinnelon High School Sport Academy Camp Account		36,134	657	35,477
	<u>\$ 251,868</u>	<u>\$ 535,583</u>	<u>\$ 549,287</u>	<u>\$ 238,164</u>

Exhibit H-5

KINNELON BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 51,777	\$ 24,862,112	\$ 24,898,518	\$ 15,371
Total Assets	<u>\$ 51,777</u>	<u>\$ 24,862,112</u>	<u>\$ 24,898,518</u>	<u>\$ 15,371</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 253	\$ 24,862,112	\$ 24,855,789	\$ 6,576
Interfund Payable General Fund	51,524		42,729	8,795
Total Liabilities	<u>\$ 51,777</u>	<u>\$ 24,862,112</u>	<u>\$ 24,898,518</u>	<u>\$ 15,371</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2014	Issued	Defeased	Matured	Balance June 30, 2015
			Outstanding June 30, 2015								
			Date	Amount							
Refunding Bond of 1998 Issue	11/16/05	\$ 4,615,000	10/01/15	\$ 525,000	3.75%	\$ 2,090,000				\$ 530,000	\$ 1,560,000
			10/01/16	520,000	4.00%						
			10/01/17	515,000	4.00%						
Improvements to High School	12/27/06	6,325,000	2/1/16	15,000	4.00%	6,255,000		\$ 6,225,000	15,000	15,000	
Improvements to High School	1/24/07	6,329,000	2/1/16	15,000	4.20%	6,259,000		6,229,000	15,000	15,000	
Refunding Bond of 2002 Issue	09/14/10	9,980,000	10/1/15	825,000	3.00%	9,090,000				795,000	8,295,000
			10/1/16	855,000	4.00%						
			10/1/17	895,000	4.00%						
			10/1/18	940,000	4.00%						
			10/1/19	975,000	4.00%						
			10/1/20	970,000	4.00%						
			10/1/21	960,000	3.00%						
			10/1/22	945,000	3.125%						
			10/1/23	930,000	3.25%						
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	2/1/19	15,000	2.00%		\$ 11,230,000				11,230,000
			2/1/20	10,000	2.00%						
			2/1/21	25,000	2.00%						
			2/1/22	25,000	2.00%						
			2/1/23	60,000	3.00%						
			2/1/24	115,000	3.00%						
			2/1/25	910,000	5.00%						
			2/1/26	1,015,000	5.00%						
			2/1/27	1,120,000	4.25%						
			2/1/28	1,215,000	5.00%						
			2/1/29	1,285,000	4.50%						
			2/1/30	1,325,000	4.50%						
			2/1/31	1,345,000	4.75%						
			2/1/32	1,370,000	4.75%						
			2/1/33	1,395,000	4.75%						
						<u>\$ 23,694,000</u>	<u>\$ 11,230,000</u>	<u>\$ 12,454,000</u>	<u>\$ 1,355,000</u>	<u>\$ 21,115,000</u>	

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,193,150		\$ 2,193,150	\$ 2,193,150	
State Sources:					
Debt Service Type II Aid	69,703		69,703	69,703	
Total Revenue	<u>2,262,853</u>		<u>2,262,853</u>	<u>2,262,853</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	907,853		907,853	907,853	
Redemption of Principal	1,355,000		1,355,000	1,355,000	
Total Regular Debt Service	<u>2,262,853</u>		<u>2,262,853</u>	<u>2,262,853</u>	
Total Expenditures	<u>2,262,853</u>		<u>2,262,853</u>	<u>2,262,853</u>	
Fund Balance, July 1	<u>-0-</u>	\$ -0-	<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

KINNELON BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Governmental activities										
Net Investment in capital assets	\$18,059,861	\$ 6,300,840	\$13,665,081	\$17,877,438	\$18,555,613	\$18,157,140	\$18,680,587	\$19,148,508	\$19,254,575	\$21,151,918
Restricted	1,236,471	12,706,992	5,379,249	730,715	520,683	941,498	30,223	30,223	861,139	677,206
Unrestricted/(Deficit)	78,714	(58,683)	(508,473)	(796,530)	(846,449)		1,888,392	1,738,222	(6,363,054)	(8,118,400)
Total governmental activities net position	<u>\$19,375,046</u>	<u>\$18,949,149</u>	<u>\$18,535,857</u>	<u>\$17,811,623</u>	<u>\$18,229,847</u>	<u>\$19,098,638</u>	<u>\$20,599,202</u>	<u>\$20,916,953</u>	<u>\$13,752,660</u>	<u>\$13,710,724</u>
Business-type activities										
Net Investment in capital assets	\$ 135,167	\$ 137,047	\$ 129,984	\$ 135,895	\$ 119,332	\$ 108,116	\$ 107,321	\$ 93,777	\$ 79,782	\$ 65,787
Unrestricted	106,383	152,279	129,200	143,708	104,987	106,940	138,959	164,164	207,535	244,914
Total business-type activities net position	<u>\$ 241,550</u>	<u>\$ 289,326</u>	<u>\$ 259,184</u>	<u>\$ 279,603</u>	<u>\$ 224,319</u>	<u>\$ 215,056</u>	<u>\$ 246,280</u>	<u>\$ 257,941</u>	<u>\$ 287,317</u>	<u>\$ 310,701</u>
District-wide										
Net Investment in capital assets	\$18,195,028	\$ 6,437,887	\$13,795,065	\$18,013,333	\$18,674,945	\$18,265,256	\$18,787,908	\$19,242,285	\$19,334,357	\$21,217,705
Restricted	1,236,471	12,706,992	5,379,249	730,715	520,683	470,825	30,223	30,223	861,139	677,206
Unrestricted/(Deficit)	185,097	93,596	(379,273)	(652,822)	(741,462)	577,613	2,027,351	1,902,386	(6,155,519)	(7,873,486)
Total district net position	<u>\$19,616,596</u>	<u>\$19,238,475</u>	<u>\$18,795,041</u>	<u>\$18,091,226</u>	<u>\$18,454,166</u>	<u>\$19,313,694</u>	<u>\$20,845,482</u>	<u>\$21,174,894</u>	<u>\$14,039,977</u>	<u>\$14,021,425</u>

* Restated

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
Instruction										
Regular	\$ 12,830,196	\$ 15,007,235	\$ 15,912,755	\$ 15,335,444	\$ 16,655,387	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637	\$ 16,435,098	\$ 18,590,309
Special education	2,529,013	2,704,146	2,973,914	3,245,341	3,276,930	3,520,191	3,720,193	3,911,881	3,852,677	4,863,506
Other special education	361,485	351,709	377,798	468,724	361,522	286,979	283,982	395,358	488,137	712,248
Other instruction	802,779	1,045,515	1,110,211	1,270,013	1,355,196	1,129,720	1,170,137	1,246,967	1,096,947	1,461,012
Support Services:										
Tuition	1,245,811	1,243,291	1,140,654	1,120,189	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863	1,623,287
Student & instruction related services	3,650,866	4,169,442	4,697,772	4,885,481	5,219,338	4,496,137	4,888,666	5,244,472	5,511,218	6,644,710
General and business administrative services	705,126	724,721	856,882	831,006	97,604	676,984	102,026	603,063	559,512	610,548
School Administrative Services	1,747,328	2,059,884	2,045,940	2,086,520	2,134,377	2,126,715	581,074	2,295,163	2,263,211	2,418,495
Central Services	474,337	529,430	569,973	529,025	565,133	566,110	2,124,580	571,202	550,833	569,105
Administrative Technology Information	187,804	207,848	218,278	216,563	219,361	122,051	591,272	109,973	107,629	162,512
Plant operations and maintenance	3,493,332	3,322,587	3,630,573	3,617,395	3,519,895	3,356,498	3,298,665	3,803,463	3,766,137	3,997,483
Pupil transportation	1,946,114	2,196,806	2,175,475	2,193,848	1,711,237	2,031,790	1,918,266	1,922,290	1,954,847	2,113,636
Interest on long-term debt	871,883	949,586	1,455,369	1,365,241	1,278,267	973,545	1,121,860	1,055,853	979,029	864,449
Unallocated depreciation	1,019,914									
Capital Outlay	695,729	1,043,604	510,627	237,017	65,151	72,775	42,322	58,083	60,439	58,083
Total governmental activities expenses	32,561,717	35,555,804	37,676,221	37,401,807	37,476,151	35,796,478	36,911,696	39,544,506	39,234,577	44,689,383
Business-type activities:										
Food service	705,434	622,114	660,307	634,915	647,943	617,556	592,740	578,749	528,907	549,686
Enrichment Program	127,500	103,425	153,150	142,260	146,620	145,497	127,288	146,572	234,677	227,538
Total business-type activities expense	832,934	725,539	813,457	777,175	794,563	763,053	720,028	725,321	763,584	777,224
Total district expenses	\$ 33,394,651	\$ 36,281,343	\$ 38,489,678	\$ 38,178,982	\$ 38,270,714	\$ 36,559,531	\$ 37,631,724	\$ 40,269,827	\$ 39,998,161	\$ 45,466,607
Program Revenues										
Governmental activities:										
Operating grants and contributions	\$ 4,783,161	\$ 5,822,548	\$ 6,196,237	\$ 5,104,268	\$ 5,729,384	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053	\$ 5,208,200	\$ 9,539,898
Total governmental activities program revenues	4,783,161	5,822,548	6,196,237	5,104,268	5,729,384	3,745,734	4,804,944	5,672,053	5,208,200	9,539,898
Business-type activities:										
Charges for services										
Food service	608,489	618,672	591,315	575,501	558,484	537,947	531,592	458,163	446,576	439,512
Enrichment Program	128,481	118,720	146,269	167,388	118,514	159,806	136,362	194,639	274,399	288,389
Operating grants and contributions	27,648	34,678	44,786	54,263	62,010	58,399	83,173	84,037	71,737	72,344
Total business type activities program revenues	764,618	772,070	782,370	797,152	739,008	756,152	751,127	736,839	792,712	800,245
Total district program revenues	\$ 5,547,779	\$ 6,594,618	\$ 6,978,607	\$ 5,901,420	\$ 6,468,392	\$ 4,501,886	\$ 5,556,071	\$ 6,408,892	\$ 6,000,912	\$ 10,340,143

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (27,778,556)	\$ (29,733,256)	\$ (31,479,984)	\$ (32,297,539)	\$ (31,746,767)	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)	\$ (34,026,377)	\$ (35,149,485)
Business-type activities	(68,316)	46,531	(31,087)	19,977	(55,555)	(6,901)	31,099	11,518	29,128	23,021
Total district-wide net expense	<u>\$ (27,846,872)</u>	<u>\$ (29,686,725)</u>	<u>\$ (31,511,071)</u>	<u>\$ (32,277,562)</u>	<u>\$ (31,802,322)</u>	<u>\$ (32,057,645)</u>	<u>\$ (32,075,653)</u>	<u>\$ (33,860,935)</u>	<u>\$ (33,997,249)</u>	<u>\$ (35,126,464)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 24,524,140	\$ 26,031,655	\$ 27,389,220	\$ 28,468,788	\$ 29,599,802	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023	\$ 32,102,343	\$ 32,480,021
Taxes levied for debt service	2,303,969	2,211,617	2,728,262	2,762,724	2,732,132	2,469,272	2,434,758	2,662,364	2,162,403	2,193,150
SDA Grant		566,121								
Federal and State Aid Not Restricted			85,846	81,256	81,135	68,862	68,759	68,656	68,553	193,264
Investment earnings	142,339	209,555								
Miscellaneous income	100,442	282,023	859,029	259,276	151,174	281,312	401,588	262,855	302,636	240,951
Transfers	30,000	6,388	4,335	1,261	748	106	228	134	183	163
Total governmental activities	<u>27,100,890</u>	<u>29,307,359</u>	<u>31,066,692</u>	<u>31,573,305</u>	<u>32,564,991</u>	<u>32,919,535</u>	<u>33,607,316</u>	<u>34,310,032</u>	<u>34,636,118</u>	<u>35,107,549</u>
Business-type activities:										
Miscellaneous income	6,257	7,633	5,280	1,703	1,019	144	353	277	431	526
Transfers	(30,000)	(6,388)	(4,335)	(1,261)	(748)	(106)	(228)	(134)	(183)	(163)
Special Item - Disposal of Capital Assets						(2,400)				
Total business-type activities	<u>(23,743)</u>	<u>1,245</u>	<u>945</u>	<u>442</u>	<u>271</u>	<u>(2,362)</u>	<u>125</u>	<u>143</u>	<u>248</u>	<u>363</u>
Total district-wide	<u>\$ 27,077,147</u>	<u>\$ 29,308,604</u>	<u>\$ 31,067,637</u>	<u>\$ 31,573,747</u>	<u>\$ 32,565,262</u>	<u>\$ 32,917,173</u>	<u>\$ 33,607,441</u>	<u>\$ 34,310,175</u>	<u>\$ 34,636,366</u>	<u>\$ 35,107,912</u>
Change in Net Position										
Governmental activities	\$ (677,666)	\$ (425,897)	\$ (413,292)	\$ (724,234)	\$ 818,224	\$ 868,791	\$ 1,500,564	\$ 437,579	\$ 609,741	\$ (41,936)
Business-type activities	(92,059)	47,776	(30,142)	20,419	(55,284)	(9,263)	31,224	11,661	29,376	23,384
Total district	<u>\$ (769,725)</u>	<u>\$ (378,121)</u>	<u>\$ (443,434)</u>	<u>\$ (703,815)</u>	<u>\$ 762,940</u>	<u>\$ 859,528</u>	<u>\$ 1,531,788</u>	<u>\$ 449,240</u>	<u>\$ 639,117</u>	<u>\$ (18,552)</u>

Source: School District Financial Reports

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

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 236,225	\$ 314,397	\$ 145,754	\$ 137,882	\$ 165,652					
Unreserved	882,074	793,819	796,235	193,947	222,562					
Restricted						\$ 100	\$ 100	\$ 699,574	\$ 861,139	\$ 838,771
Assigned						187,417	1,195,155	559,278	1,015,955	381,921
Unassigned						684,073	818,010	787,974	729,668	874,892
Total general fund	<u>\$1,118,299</u>	<u>\$ 1,108,216</u>	<u>\$ 941,989</u>	<u>\$331,829</u>	<u>\$388,214</u>	<u>\$871,590</u>	<u>\$2,013,265</u>	<u>\$2,046,826</u>	<u>\$2,606,762</u>	<u>\$2,095,584</u>
All Other Governmental Funds										
Reserved	\$ 62,275	\$ 534,741	\$3,143,487	\$ 47,153	\$ 47,153					
Unreserved, reported in:										
Capital projects fund	790,448	11,857,954	2,090,008	545,680	307,878					
Debt service fund	41,711	2	1							
Restricted:										
Capital projects fund						\$ 30,220	\$ 30,220			
Debt service fund						248,513	3	\$ 30,223		
Assigned						4,575				
Total all other governmental funds	<u>\$ 894,434</u>	<u>\$12,392,697</u>	<u>\$5,233,496</u>	<u>\$592,833</u>	<u>\$355,031</u>	<u>\$283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 26,828,109	\$ 28,243,272	\$ 30,117,482	\$ 31,231,512	\$ 32,331,934	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387	\$ 34,264,746	\$ 34,673,171
Tuition charges	34,510	100,681	64,400	130,092	64,752	47,928	156,675	84,297	155,734	111,993
Interest earnings	142,339	210,600	673,137	52,235	11,546	1,685	4,653	5,406	6,464	6,236
Miscellaneous	135,581	183,464	121,592	78,775	74,876	231,699	240,260	173,786	152,904	207,760
State sources	4,282,632	5,928,512	5,800,572	4,631,973	4,822,198	3,335,157	4,325,529	5,245,522	4,820,383	5,507,282
Federal sources	430,380	456,990	481,411	551,724	988,321	479,439	548,174	494,553	443,904	454,861
Total revenue	31,853,551	35,123,519	37,258,594	36,676,311	38,293,627	36,665,163	38,412,032	39,981,951	39,844,135	40,961,303
Expenditures										
Instruction										
Regular Instruction	9,961,258	10,680,533	11,314,016	11,327,115	12,232,020	10,869,832	11,042,708	11,720,334	11,497,005	11,754,488
Special education instruction	1,861,017	1,855,713	2,082,524	2,476,642	2,470,204	2,628,229	2,733,414	2,819,184	2,809,534	3,190,740
Other special instruction	361,485	351,709	377,798	357,376	272,341	212,823	207,422	282,917	353,665	459,367
Other instruction	687,803	790,192	874,448	878,661	937,129	751,417	782,038	826,625	734,929	961,881
Support Services:										
Tuition	1,245,811	1,243,291	1,140,654	1,385,804	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863	1,623,288
Student & instruction related services	2,956,043	3,304,619	3,778,115	3,587,665	4,031,472	3,425,483	3,687,609	4,014,250	4,072,920	4,428,572
General administrative services	596,819	522,939	651,826	572,377	487,160	535,278	565,516	467,569	433,503	448,983
School Administrative services	1,376,835	1,414,294	1,412,476	1,506,464	1,525,664	1,502,618	1,543,675	1,578,497	1,569,588	1,517,683
Central Services	367,143	384,432	415,781	411,526	436,387	431,026	443,326	434,140	430,680	410,985
Administrative Information Technology	144,481	150,968	157,791	164,892	73,340	95,981	74,440	78,594	77,780	118,359
Plant operations and maintenance	2,768,877	2,478,372	2,758,317	3,040,542	2,927,873	2,783,023	2,744,340	3,167,677	3,140,976	3,003,338
Pupil transportation	1,940,763	2,122,058	2,116,683	2,172,107	1,869,729	1,870,801	1,838,348	1,831,095	1,870,391	1,870,297
Allocated Benefits	3,279,344	3,652,370								
Unallocated Benefits	2,268,535	3,329,300	7,424,342	6,517,573	7,104,604	7,143,643	7,681,270	8,494,168	8,294,708	8,689,244
Capital outlay	391,187	1,761,611	7,269,477	4,685,670	277,849	143,011	72,376	107,353	158,884	732,566
Debt service:										
Principal	1,285,000	1,330,000	1,385,000	1,505,000	1,535,000	1,570,000	1,670,000	1,715,000	1,310,000	1,355,000
Interest and other charges	977,258	923,326	1,429,109	1,338,981	1,278,267	973,545	1,082,027	1,016,020	951,179	907,853
Total expenditures	32,469,659	36,295,727	44,588,357	41,928,395	38,475,792	36,253,616	37,523,670	39,948,524	39,314,605	41,472,644
Excess (Deficiency) of revenues over (under) expenditures	(616,108)	(1,172,208)	(7,329,763)	(5,252,084)	(182,165)	411,547	888,362	33,427	529,530	(511,341)

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing sources (uses)										
Bond Proceeds		12,654,000								(12,454,000)
Serial Bonds Defeased										11,230,000
Serial Bonds Issued										(129,833)
Bond Issuance Costs										(503,256)
Deferred Interest										1,857,089
Bond Premium										300,263
Transfers in	30,000	7,433	603,843	1,261	748	106	228	134	183	(300,100)
Transfers out		(1,045)	(599,508)							(300,100)
Total other financing sources (uses)	<u>30,000</u>	<u>12,660,388</u>	<u>4,335</u>	<u>1,261</u>	<u>748</u>	<u>106</u>	<u>228</u>	<u>134</u>	<u>183</u>	<u>163</u>
Net change in fund balances	<u>\$ (586,108)</u>	<u>\$ 11,488,180</u>	<u>\$ (7,325,428)</u>	<u>\$ (5,250,823)</u>	<u>\$ (181,417)</u>	<u>\$ 411,653</u>	<u>\$ 888,590</u>	<u>\$ 33,561</u>	<u>\$ 529,713</u>	<u>\$ (511,178)</u>
Debt service as a percentage of noncapital expenditures	7.052%	6.620%	8.156%	8.268%	7.951%	7.578%	7.931%	7.359%	6.129%	5.881%

Source: School District Financial Reports

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2006	\$ 142,339	\$ 34,510		\$ 65,432	\$ 242,281
2007	209,555	100,681		180,297	490,533
2008	73,629	64,400	\$ 60,581	60,911	259,521
2009	52,325	130,092	41,562	37,123	261,102
2010	11,546	64,752	39,157	35,719	151,174
2011	1,685	47,928	17,237	210,538	277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636
2015	6,236	111,993		122,722	240,951

Source: Borough of Kinnelon School District records

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

<u>Year Ended</u> <u>December 31,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Regular</u>	<u>Farm</u> <u>Qualified</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Total Assessed</u> <u>Value</u>	<u>Public</u> <u>Utilities</u> ^a	<u>Net Valuation</u> <u>Taxable</u>	<u>Total Direct</u> <u>School Tax</u> <u>Rate</u> ^b	<u>Estimated Actual</u> <u>(County Equalized</u> <u>Value)</u>
2005	\$ 73,775,700	\$ 1,414,143,100	\$ 2,688,600	\$ 60,700	\$ 56,188,500	\$ 19,965,800	\$ 1,566,822,400	\$ 1,992,371	\$ 1,568,814,771	\$ 1.627	\$ 1,795,838,074
2006	54,674,400	1,454,945,000	3,156,600	194,900	54,332,000	18,360,100	1,585,663,000	1,766,281	1,587,429,281	1.703	1,958,594,455
2007	44,023,500	1,512,760,000	3,156,600	65,700	62,329,400	18,360,100	1,640,695,300	1,662,978	1,616,634,578	1.778	2,171,671,798
2008	41,568,100	1,535,171,700	3,156,600	21,400	61,800,100	18,360,100	1,660,078,000	1,677,327	1,661,755,327	1.846	2,411,517,948
2009	37,640,800	1,545,303,500	4,018,300	22,800	59,597,300	18,360,100	1,664,942,800	1,793,165	1,666,735,965	1.907	2,464,348,279
2010*	32,726,300	1,533,542,400	4,018,300	18,900	59,597,300	18,360,100	1,648,263,300	1,806,607	1,650,069,907	1.967	2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.013	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.128	2,039,419,412
2014	24,433,700	1,498,703,100	3,907,700	38,500	54,096,400	18,500,700	1,599,680,100		1,599,680,100	2.155	2,036,364,102

*-Revaluation Year

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Exhibit J-7

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

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Kinnelon	Morris County	
2005	\$ 1.481	\$ 0.146	\$ 1.627	\$ 0.437	\$ 0.326	\$ 2.390
2006	1.557	0.146	1.703	0.451	0.336	2.490
2007	1.628	0.150	1.778	0.466	0.356	2.600
2008	1.681	0.165	1.846	0.473	0.345	2.664
2009	1.746	0.161	1.907	0.485	0.336	2.728
2010*	1.810	0.157	1.967	0.511	0.329	2.807
2011	1.865	0.148	2.013	0.531	0.330	2.874
2012	1.919	0.163	2.082	0.555	0.330	2.967
2013	2.000	0.128	2.128	0.582	0.330	3.040
2014	2.019	0.136	2.155	0.589	0.325	3.069

* - Revaluation year

Source: Municipal Tax Collector and School Business Administrator

Note:

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

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

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

KINNELON BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2014			Taxpayer	2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Multi-Family Housing	\$ 17,609,600	1	1.10%	Multi-Family Housing	\$ 17,609,600	1	1.11%
Commercial Property	10,000,000	2	0.63%	Residential Housing	16,179,500	2	1.02%
Commercial Property	9,750,000	3	0.61%	Commercial Property	12,644,800	3	0.80%
Commercial Property	4,000,800	4	0.25%	Commercial Property	9,750,000	4	0.61%
Vacant Land	3,365,100	5	0.21%	Commercial Property	4,849,000	5	0.31%
Commercial Property	2,777,700	6	0.17%	Vacant Land	4,206,000	6	0.26%
Residential Property	2,604,800	7	0.16%	Vacant Land	4,071,100	7	0.26%
Commercial Property	2,493,000	8	0.16%	Residential	3,292,000	8	0.21%
Residential Property	2,357,300	9	0.15%	Residential and Recreational	3,229,900	9	0.20%
Commercial Property	2,312,700	10	0.14%	Commercial Property	2,968,300	10	0.19%
Total	\$ 57,271,000		3.57%		\$ 78,800,200		4.97%

Source: Municipal Tax Assessor

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 26,828,109	\$ 26,828,109	100.00%	-0-
2007	28,243,272	28,243,272	100.00%	-0-
2008	30,117,482	30,117,482	100.00%	-0-
2009	31,231,512	31,231,512	100.00%	-0-
2010	32,331,934	32,331,934	100.00%	-0-
2011	32,569,255	32,569,255	100.00%	-0-
2012	33,136,741	33,136,741	100.00%	-0-
2013	33,978,387	33,978,387	100.00%	-0-
2014	34,264,746	34,264,746	100.00%	-0-
2015	34,673,171	34,673,171	100.00%	-0-

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

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

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2006	\$ 22,582,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 22,582,000	3.78%	\$ 2,380	
2007	33,906,000	-0-	476,841	-0-	-0-	34,382,841	5.34%	3,629	
2008	32,521,000	-0-	361,132	-0-	-0-	32,882,132	4.86%	3,462	
2009	31,016,000	-0-	110,617	-0-	-0-	31,126,617	4.41%	3,264	
2010	29,481,000	-0-	267,600	-0-	-0-	29,748,600	4.60%	3,108	
2011	28,389,000	-0-	162,229	-0-	-0-	28,551,229	3.99%	2,784	
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.63%	2,604	
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.25%	2,409	
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	3.08%	2,278	
2015	21,115,000	-0-	-0-	-0-	-0-	21,115,000	2.74%	2,030	

Source: School District Financial Reports

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

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

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2006	\$ 22,582,000		\$ 22,582,000	1.439%	\$ 2,380
2007	33,906,000		33,906,000	2.136%	3,578
2008	32,521,000		32,521,000	2.012%	3,424
2009	31,016,000		31,016,000	1.866%	3,253
2010	29,481,000		29,481,000	1.769%	3,080
2011	28,389,000		28,389,000	1.720%	2,768
2012	26,719,000		26,719,000	1.638%	2,593
2013	25,004,000		25,004,000	1.552%	2,403
2014	23,694,000		23,694,000	1.478%	2,278
2015	21,115,000		21,115,000	1.320%	2,030

Source: School District Financial Reports

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

a See Exhibit J-6 for property tax data.

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

Exhibit J-12

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 17,917,866	100.000%	\$ 17,917,866
Morris County General Obligation Debt	235,116,781	2.279%	<u>5,357,382</u>
Subtotal, overlapping debt			23,275,248
Kinnelon School District Direct Debt			<u>21,115,000</u>
Total direct and overlapping debt			<u><u>\$ 44,390,248</u></u>

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

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

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

Exhibit J-13

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

Equalized valuation basis

2014	\$ 2,116,818,976
2013	2,039,419,412
2012	<u>2,117,422,678</u>
	<u>\$ 6,273,661,066</u>

Average equalized valuation of taxable property

\$ 2,091,220,355

Debt limit (4% of average equalization value)

83,648,814 ^a

Net bonded school debt

21,115,000

Legal debt margin

\$ 62,533,814

Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 77,790,723	\$ 85,751,577	\$ 92,420,076	\$ 96,825,364	\$ 97,299,500
Total net debt applicable to limit	<u>22,582,000</u>	<u>33,906,000</u>	<u>32,521,000</u>	<u>31,016,000</u>	<u>29,481,000</u>
Legal debt margin	<u>\$ 55,208,723</u>	<u>\$ 51,845,577</u>	<u>\$ 59,899,076</u>	<u>\$ 65,809,364</u>	<u>\$ 67,818,500</u>
Total net debt applicable to the limit as a percentage of debt limit	29.03%	39.54%	35.19%	32.03%	30.30%

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

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

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

Exhibit J-14

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

Year	Population ^a	Personal Income (thousands of dollars) ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2005	9,490	\$ 590,021,770	\$ 62,173	2.10%
2006	9,475	632,579,425	66,763	2.20%
2007	9,497	663,298,971	69,843	2.00%
2008	9,535	685,919,295	71,937	2.70%
2009	9,572	650,589,696	67,968	4.70%
2010	10,256	704,135,936	68,656	4.70%
2011	10,327	742,655,878	71,914	4.60%
2012	10,375	776,319,750	74,826	4.80%
2013	10,405	780,936,870	75,054	4.80%
2014	10,381	779,135,574	75,054 **	4.20%

** - Latest Morris County per capita personal income available (2013) was used for calculation purposes.

Source:

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

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

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

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

Exhibit J-15

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

<u>Employer</u>	<u>2014</u>		<u>Employer</u>	<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
Kinnelon Board of Education	335	6.71%	Kinnelon Board of Education	375	18.97%
Pathmark	150	3.00%	Pathmark	175	8.85%
Borough of Kinnelon	100	2.00%	Borough of Kinnelon	100	5.06%
Smokerise Club	50	1.00%	Sleeptech	100	5.06%
Weichert Realtors	35	0.70%	Smokerise Club	50	2.53%
J.C. Christopher's	25	0.50%	Weichert Realtors	45	2.28%
Route 23 Car & Van Wash	20	0.40%	Kosco Harley-Davidson	35	1.77%
Rite Aid	17	0.34%	Our Lady-Magnificant RC Church	32	1.62%
Apple Montessori	15	0.30%	Butler Bowl	22	1.11%
Wayne Johnson & Sons	14	0.28%	Apple Montessori School	20	1.01%
	<u>761</u>	<u>15.24%</u>		<u>954</u>	<u>48.26%</u>

Source: Borough of Kinnelon

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

<u>Function/Program</u>	<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>
Instruction										
Regular	138.00	147.90	146.84	153.31	146.80	138.00	141.80	138.30	137.30	134.00
Special education	29.50	37.00	53.80	59.29	52.54	50.10	50.90	51.40	51.40	55.50
Support Services:										
Student & instruction related services	44.50	37.80	39.83	40.83	43.80	41.90	43.40	43.40	43.90	46.00
School administrative services	16.00	16.50	16.50	16.50	16.00	12.50	12.50	12.50	12.50	14.50
General and business administrative services	3.00	3.00	2.80	3.80	3.80	3.90	3.90	3.90	3.90	4.00
Plant operations and maintenance	29.25	30.50	32.00	28.50	30.90	30.40	30.40	30.40	30.40	24.00
Business and other support services	7.00	7.80	10.80	14.85	5.10	4.60	4.60	4.60	4.60	2.00
Pupil transportation					10.00	8.00	8.00	8.00	8.00	11.50
Total	<u>267.25</u>	<u>280.50</u>	<u>302.57</u>	<u>317.08</u>	<u>308.94</u>	<u>289.40</u>	<u>295.50</u>	<u>292.50</u>	<u>292.00</u>	<u>291.50</u>

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School				
2006	2,174	\$ 29,304,906	\$ 13,580	167.50	1:13	1:14	1:12	12:00.0	2,158	2,072	0.94%	96.01%
2007	2,205	31,828,678	14,466	171.90	1:13.2	1:13.1	1:10.9	1:11.1	2,200	2,119	1.946%	96.30%
2008	2,207	34,504,771	15,637	172.10	1:13.3	1:13.6	1:12	1:11.5	2,202	2,120	0.091%	96.28%
2009	2,230	34,398,744	15,439	178.27	1:12.9	1:13.3	1:12.54	1:11.65	2,228	2,133	1.181%	95.74%
2010	2,214	35,384,676	16,033	179.10	1:12.5	1:14.6	1:11.9	1:10.3	2,207	2,120	-0.943%	96.06%
2011	2,215	33,567,060	15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%
2013	2,143	36,721,070	17,346	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%
2015	2,019	38,477,225	19,152	189.50	1:12	1:14	1:11	1:12	2,009	1,930	-3.460%	96.07%

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

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

Exhibit J-18

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

<u>District Building</u>	<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>
Kiel Elementary School (1995)										
Square Feet	49,563	49,563	43,563	43,563	49,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	341	354	366	331	333	388	377	340	310	315
Stony Brook Elementary (1957)										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	542	535	519	515	504	578	619	524	558	498
Pearl R. Miller Middle School (1968)										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	535	535	550	572	561	545	532	522	514	508
Kinnelon High School (1963)										
Square Feet	100,017	100,017	100,017	136,846	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	646	646	646	843	646	646	646	646	646	646
Enrollment	614	665	653	676	697	704	694	693	699	688
Glenn Sisco Elementary School (1923)										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	140	116	136	136	119	-0-	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2015

Elementary = 2
Middle School = 1
High School = 1

Source: Borough of Kinnelon School District Facilities Office

Note: Year of original construction is shown in parentheses.
Enrollment is based on the annual October district count.

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

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

Fiscal Year Ended June 30,	Kiel Elementary School	Stony Brook Elementary School	Glen L. Sisco Elementary School	Pearl R. Miller Middle School	Kinnelon High School	Maintenance	Total
2006	\$ 108,006	\$ 49,162	\$ 43,609	\$ 76,633	\$ 194,455	\$ 19,080	\$ 490,945
2007	52,882	79,290	25,966	43,400	96,937	19,386	317,861
2008	75,025	51,678	21,526	62,426	125,936	19,623	356,214
2009	85,318	67,591	20,314	70,856	92,606	27,266	363,951
2010	33,699	54,552	17,445	50,196	130,940	25,541	312,373
2011	27,227	73,841	11,112	40,641	78,539	4,025	235,385
2012	37,618	67,957	4,999	41,510	127,168	3,955	283,207
2013	21,942	61,671	3,559	62,387	410,331	36,000	595,890
2014	54,035	56,236	22,210	87,810	199,659	33,259	453,209
2015	58,953	96,454	8,973	42,565	140,173	112,282	459,400

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

Source: Borough of Kinnelon School District records

Exhibit J-20

KINNELON BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Zurich American Insurance Company		
Property - Blanket Building and Contents	\$ 94,290,259	\$ 5,000
Commercial General Liability	1,000,000	
Comprehensive Automotive Liability	1,000,000	1,000
Comprehensive Crime Coverage, Employee Dishonesty	500,000	5,000
Comprehensive Crime Coverage, Forgery or Alteration	50,000	1,000
Environmental Impairment Liability		
Each Occurance	1,000,000	15,000
Aggregate	10,000,000	
Boiler and Machinery - Zurich American Insurance Company		
Property Damage	100,000,000	1,000
Umbrella Liability - Zurich American Insurance Company		
Umbrella Policy	9,000,000	
School Board Legal Liability - Zurich American Insurance Company		
Limit of Liability	1,000,000	10,000
Employment Practices Liability	1,000,000	10,000
Public Employees' Faithful Performance Blanket		
Treasurer of School Monies	250,000	
Board Secretary	250,000	
Additional Excess Liability Policy		
Each Occurance	50,000,000	
Aggregate	50,000,000	
Travel Accident Policy		
Principal Sum	100,000	
Aggregate Limit	500,000	

Source: Kinnelon Borough School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Compliance and Other Matters

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

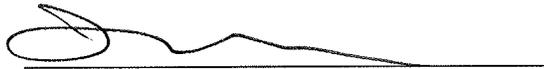
Purpose of this Report

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

November 19, 2015
Mount Arlington, New Jersey



NISIVOCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circulars 04-04 and 05-18

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 05-18, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 05-18 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

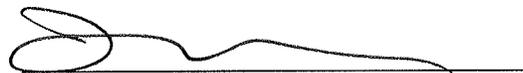
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

November 19, 2015
Mount Arlington, New Jersey


NISIVOC CIA LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance (Accounts Receivable) 6/30/14	Carryover/ (Walkthrough) Amount	Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Receivables	Cancellation of Prior Years' Encumbrance	Return To Grantor	Balance 6/30/15			
												Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture															
Passed-through State Department of Agriculture:															
Child Nutrition Cluster:															
Federal Food Distribution Program	10.555	N/A	7/1/14-6/30/15	\$ 18,145			\$ 18,145	\$ (17,376)					\$ 769		
Federal Food Distribution Program	10.555	N/A	7/1/13-6/30/14	16,463	\$ 452			(452)							
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	50,829			47,031	(50,829)				\$ (3,798)			
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	50,769	(3,870)		3,870								
Total Child Nutrition Cluster					(3,418)		69,046	(68,657)				(3,798)	769		
Total U.S. Department of Agriculture					(3,418)		69,046	(68,657)				(3,798)	769		
U.S. Department of Education															
Passed-through State Department of Education:															
No Child Left Behind Consolidated Grant:															
Title IIA	84.367A	NCLB-2460-15	7/1/14-6/30/15	36,287			31,035	(36,287)				(5,252)			
Title IIA	84.367A	NCLB-2460-14	7/1/13-6/30/14	36,154	1,433									\$ 1,433	
Title III	84.186A	NCLB-2460-11	9/1/12-8/31/13	4,124	1,051									1,051	
Special Education Cluster:															
I.D.E.A. Preschool	84.173	FT-2460-15	7/1/14-6/30/15	15,978			15,978	(15,978)							
I.D.E.A. Part B, Basic	84.027	FT-2460-15	7/1/14-6/30/15	402,596			402,596	(402,596)							
Total Special Education Cluster							418,574	(418,574)							
Total U.S. Department of Education					2,484		449,609	(454,861)				(5,252)		2,484	
Total Federal Financial Awards					\$ (934)	\$ -0-	\$ 518,655	\$ (523,518)	\$ -0-	\$ -0-	\$ -0-	\$ (9,050)	\$ 769	\$ 2,484	

N/A - Not Applicable

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

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/15			MEMO		
				Unearned Revenue/ (Accounts Receivable) 06/30/14					GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:														
General Fund:														
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 1,080,571			\$ 976,758	\$ (1,080,571)						\$ 103,813	\$ 1,080,571
Special Education Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	1,080,571	\$ (103,701)		103,701								1,080,571
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	165,159			149,292	(165,159)						15,867	165,159
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	165,159	(15,850)		15,850								165,159
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	193,798			175,179	(193,798)						18,619	193,798
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	193,798	(18,598)		18,598								193,798
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	20,185			18,246	(20,185)						1,939	20,185
Per Pupil Growth	15-495-034-5120-097	7/1/14-6/30/15	20,185			18,246	(20,185)						1,939	20,185
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	409,535				(409,535)		\$ (409,535)				409,535	409,535
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	287,179	(287,179)		287,179								287,179
Additional Non Public Transportation	15-495-034-5120-014	7/1/14-6/30/15	14,268				(14,268)		(14,268)				14,268	14,268
Additional Non Public Transportation	14-495-034-5120-014	7/1/13-6/30/14	18,424	(18,424)		18,424								18,424
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	1,211,833			1,152,814	(1,211,833)		(59,019)				59,019	1,211,833
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	1,253,251	(59,449)		59,449								1,253,251
Total General Fund				(503,201)		2,993,736	(3,115,534)		(482,822)				624,999	6,113,916
Debt Service Fund:														
Debt Service Aid State Support	15-495-034-5120-017	7/1/14-6/30/15	69,703			69,703	(69,703)							69,703
Total Debt Service Fund						69,703	(69,703)							69,703

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/15			MEMO			
				Unearned Revenue/ (Accounts Receivable) 06/30/14					GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures		
Special Revenue Fund:															
Non Public Technology Initiative	15-100-034-5120-373	7/1/14-6/30/15	\$ 416			\$ 416	\$ (416)							\$ 416	
Non Public Textbooks Aid	15-100-034-5120-064	7/1/14-6/30/15	774			774	(704)				\$ 70			704	
Non Public Nursing Services	15-100-034-5120-070	7/1/14-6/30/15	1,233			1,233	(1,233)							1,233	
Total Special Revenue Fund						2,423	(2,353)				70			2,353	
Total NJ Department of Education						\$ (503,201)	3,065,862	(3,187,590)		\$ (482,822)		70	\$ 624,999	6,185,972	
Capital Projects Fund:															
SDA Grant - Kiel Roof and Fire Alarm Project and High School Roof	2460-060-14-1002-G04	7/1/14-6/30/15	123,561				(123,561)			(123,561)				123,561	
Total Capital Projects Fund							(123,561)			(123,561)				123,561	
Food Service Fund:															
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	3,687			3,424	(3,687)			(263)			263	3,687	
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	3,414			(274)	274							3,414	
Total Food Service Fund						(274)	3,698	(3,687)		(263)			263	7,101	
Total State Awards						\$ (503,475)	\$ -0-	\$ 3,069,560	\$ (3,314,838)	\$ -0-	\$ (606,646)	\$ -0-	\$ 70	\$ 625,262	\$ 6,316,634

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

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1: Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state financial award programs of the Board of Education, Kinnelon Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies are included on the schedules of expenditures of federal and state awards. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies:

The accompanying schedules of expenditures of federal and state awards are 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 bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 05-18, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Relationship to Basic Financial Statements:

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,028) for the general fund and (\$416) for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post Retirement Medical contributions paid by the State on behalf of the District of \$850,463 and \$1,350,112, respectively.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Note 3: Relationship to Basic Financial Statements (Cont'd)

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,312,081	\$ 5,312,081
Special Revenue Fund	\$ 454,861	1,937	456,798
Capital Projects Fund		123,561	123,561
Debt Service Fund		69,703	69,703
Enterprise Fund	<u>68,657</u>	<u>3,687</u>	<u>72,344</u>
Total Financial Awards	<u>\$ 523,518</u>	<u>\$ 5,510,969</u>	<u>\$ 6,034,487</u>

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: Other:

T.P.A.F. Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for T.P.A.F. members for the fiscal year ended June 30, 2015. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 05-18*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 05-18 or Section 510(a) of Federal OMB Circular A-133.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following awards:

	State Grant Number/C.F.D.A. #	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 1,080,571	\$ 1,080,571
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	165,159	165,159
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	20,185	20,185
Per Pupil Growth	15-495-034-5120-097	7/1/14-6/30/15	20,185	20,185

Federal:

Special Education Cluster:

I.D.E.A. Part B, Basic	84.027	7/1/14-6/30/15	402,596	402,596
I.D.E.A. Preschool	84.173	7/1/14-6/30/15	15,978	15,978

- The threshold used for distinguishing between Type A and Type B programs was \$300,000. A risk based approach was used to determine major programs.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal Circular.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circulars 04-04 and 05-18.

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

The District had no prior year audit findings.