

NUTLEY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Nutley, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Nutley Board of Education
Nutley, New Jersey
For The Fiscal Year Ended June 30, 2003**

**Prepared by
Business Office**

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INTRODUCTORY SECTION

NUTLEY BOARD OF EDUCATION



JAMES MALLEN
BUSINESS ADMINISTRATOR
BOARD SECRETARY

375 BLOOMFIELD AVENUE
NUTLEY, NJ 07110
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October 20, 2003

Honorable President and
Trustees of the Board of Education
Nutley School District
Essex County, New Jersey

Dear Trustees:

State Department of Education statutes require that all local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Nutley Board of Education for the fiscal year ended June 30, 2003

This report consists of management's representations concerning the finances of the Nutley Board of Education. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Nutley Board of Education has established a comprehensive internal control framework that is designed both to protect the school district's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Nutley Board of Education's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Nutley Board of Education's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Nutley Board of Education's financial statements have been audited by Lerch, Vinci & Higgins, LLP, a firm of licensed certified public accountants and public school accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Nutley Board of Education for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Nutley Board of Education's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Nutley Board of Education was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards and state financial assistance. These reports are available in the Single Audit Section of the Nutley Board of Education's CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Nutley Board of Education's MD&A can be found immediately following the report of the independent auditors.

1) REPORTING ENTITY AND ITS SERVICES: The Nutley School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Nutley Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of education services to grade levels K through 12. These include regular, as well as special education for handicapped youngsters. The District completed the 2002-03 fiscal year with an enrollment of 4,204 students, which is 92 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2002-03	4,204	2.2%
2001-02	4,112	2.0%
2000-01	4,032	0.9%
1999-00	3,996	1.5%
1998-99	3,936	0.6%

2) ECONOMIC CONDITION AND OUTLOOK: The taxable net valuation increased from \$507,765,100 to \$511,481,100, an increase of 3.72 million dollars. The increase was primarily due to the development of the Cambridge Heights area, a tract of land formerly owned by the ITT Corporation.

The 2000 population showed an increase of 263 from the 1990 Census. The 2000 Census indicated there were 7,276 owner occupied units. There were also 3,608 renter occupied housing units. The 2000 Census indicated that the median home was valued at \$190,500, and the median monthly rental was \$764.

The development of a large tract of land at the town's eastern end, formerly owned by ITT, is essentially complete. The overwhelming majority of these units (569) are two bedroom town homes. Thus far, there has not been a substantial impact of students from the new development, but the district had anticipated at least 108 additional pupils from Cambridge Heights. This increase, coupled with the steady enrollment increase of the last decade, has caused the district to make plans for the expansion of existing school facilities. The Board developed a plan for school expansion as was noted in the district's Long-Range Facility Plan, which was submitted to the Department of Education in 2001. In April 2003, voters approved a \$4.9 million referendum providing for renovations to Nutley High School as the first phase of implementation of this plan.

Labor force statistics for 2002 noted an unemployment rate of 4.2%, well below the county average of 7.3%.

3) MAJOR INITIATIVES: The 2002-03 school year was a successful one for the Nutley district. Positive pupil performance results and low per pupil costs were once again in evidence.

The High School Proficiency Assessment (HSPA) was administered in March 2003, with 96.6% of Nutley's students passing the language arts section, and 86.4% of our students passing the math section.

SAT verbal scores remained consistent with averages of past performances with Nutley students exceeding state and national averages by seven points and one point, respectively. Results in math exceeded state and national averages by seven points and three points, respectively.

The Grade Eight Proficiency Assessment (GEPA) was administered in March 2003. Nutley pupils were ranked proficient or advanced proficient as follows: Math – 76.5%, Language Arts – 90.0%, Science - 90.7%.

The NJ Assessment of Skills & Knowledge – Grade 4 (NJASK 4) is given to all fourth graders. For the 2003 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 82.0%; Language Arts – 95.7%.

The graduating class of 2003 had 88% of its members going on to post-secondary education. Sixty-five percent will be attending four-year colleges and universities. Scholarships and grants awarded to 2003 graduates were approximately 2.3 million dollars.

In extra-curricular activities, Nutley continues to outpace the majority of New Jersey districts as evidenced by a budget of \$244 per pupil compared to a statewide average for K-12 of \$188. This includes 24 varsity sports. During the year, many student athletes, both male and female, were recognized as all-league, all-county and all-state in their respective sports.

The professional staff undertook curriculum revisions in Art (K-8); World Language – Conversational Spanish and French AP; Language Arts – English AP and Language & Composition; Archeology; Sports Marketing; Cisco Academy Honors; Science (9-12); Fine/Industrial Arts (9-12). Professional development activities included in-service and out-of-district seminars and workshops in Instructional Theory Into Practice (ITIP); PowerPoint Presentations; Hyperstudio; Differentiated Instruction; Social Decision-making; Language Arts Writers Workshop; NJASK 4 Training; Affirmative Action; and Bullying, Intimidation & Harassment.

The district once again demonstrated its ability to produce high results at a modest cost. As noted in the Department of Education's Comparative Spending Guide 2003, the district spent \$8,315 per pupil compared to a statewide K-12 average of \$9,688. The Guide also reported that the district's budget for 2002-03 was based on \$8,668 per pupil, compared to the New Jersey state average of \$10,273.

The school tax levy was approved by a margin of 2,474–1,977. This marked the fourteenth consecutive year that this measure has been approved.

The school district was certified by the New Jersey State Board of Education in March 1999. This certification is in effect until April, 2006.

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

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

is also subject to periodic evaluation by the District management.

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at the 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 reservations of fund balance at June 30, 2003.

6) DEBT ADMINISTRATION: As of June 2003, the District's outstanding debt issues included \$550,000 of general obligation bonds. The most recent bonds were issued in September of 1992 in the amount of \$1,700,000, having been approved by the voters in April 1990. Bond proceeds were used to pay off temporary notes which originally financed projects such as asbestos removal and restoration, underground storage tank removal, re-roofing of major sections of the high school, and various upgrades to the heating plants at all the schools. It should be noted that the Board was able to address all projects undertaken in an amount for bonding that was \$285,000 lower than originally approved by the voters in 1990. This, of course, has had a positive impact on the debt service requirements of the District.

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 2. The District's cash management plan has all public funds deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protections 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,

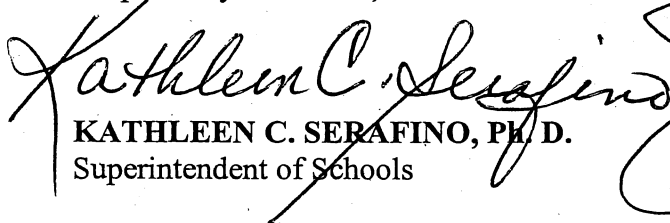
hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION:

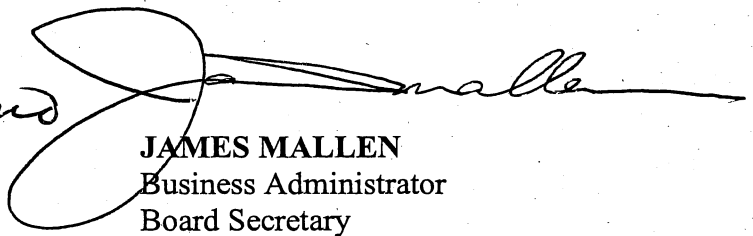
A) Independent Audit - State statutes require an annual audit by licensed public school accountants who are independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, L.L.P. was selected by the Board at a public meeting held on April 29, 2003. In addition to meeting the requirements set forth in State Statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and State Treasury Circular Letter 98-07 OMB. The auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' 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 Nutley Board of Education 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,

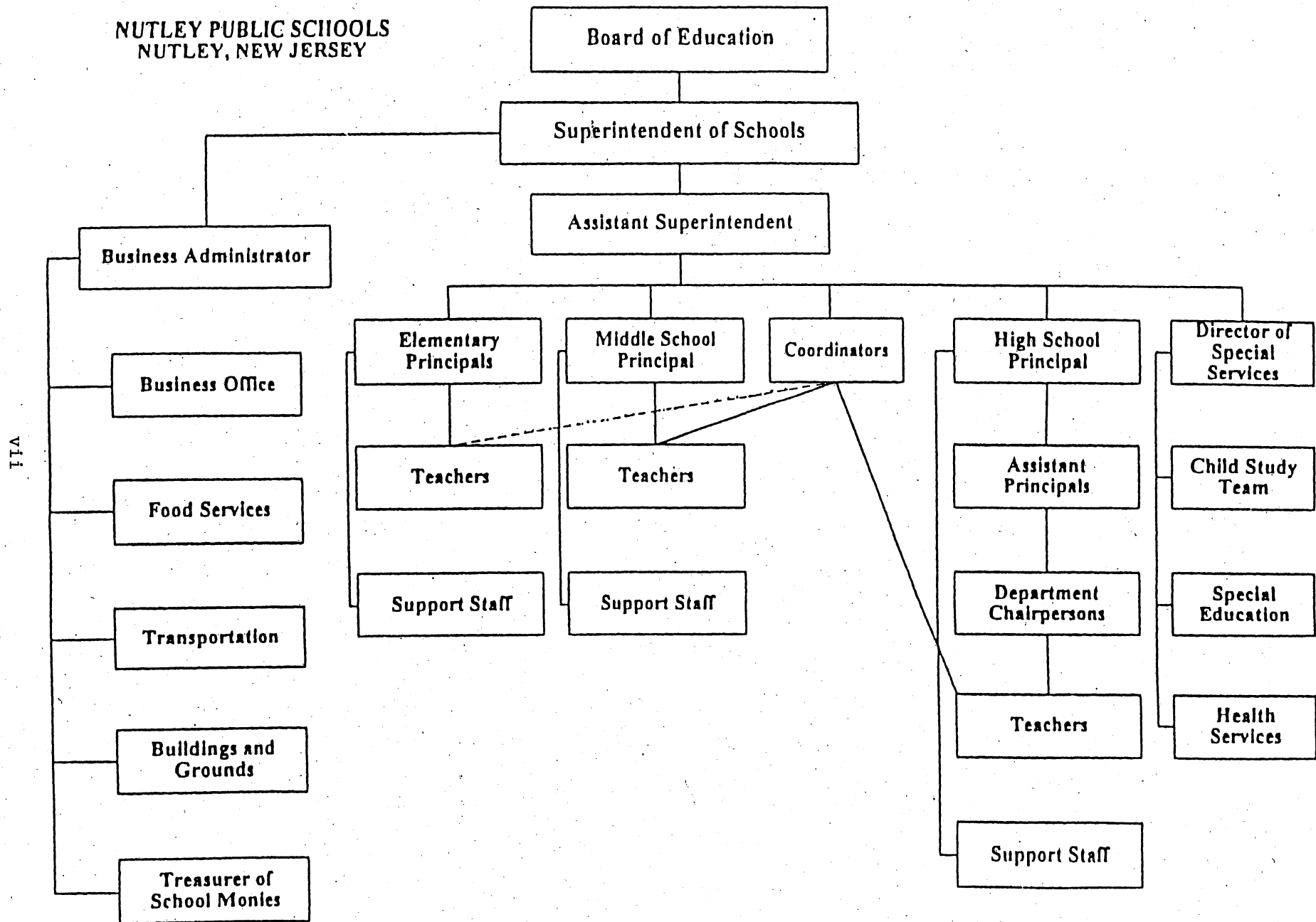


KATHLEEN C. SERAFINO, PH. D.
Superintendent of Schools



JAMES MALLEN
Business Administrator
Board Secretary

**NUTLEY PUBLIC SCHOOLS
NUTLEY, NEW JERSEY**



**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2003**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Maria Alamo, President	2006
Alan Genitempo, Vice-President	2004
John Cafone	2005
Philip T. Casale	2004
Gerard Del Tufo	2005
Sal Olivo	2005
Gerard M. Parisi	2004
Alfred Restaino, Jr.	2006
James Viola	2006

Other Officials

Dr. Kathleen C. Serafino, Superintendent

James Mallen, School Business Administrator/Board Secretary

David Wilson, Treasurer of School Monies

Frank Pomaco, Esq., Solicitor

NUTLEY BOARD OF EDUCATION
Consultants and Advisors

Attorney

Gaccione, Pomaco & Malanga
524 Union Avenue
Belleville, NJ 07109

Independent Auditors

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, NJ 07410

Medical Inspector

Dr. Barry Prystowski
562 Kingsland Street
Nutley, NJ 07110

Official Depository

Commerce Bank
575 Kingsland Street
Nutley, NJ 07110

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FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JOSEPH F. KELLY, CPA, RMA, PSA

CHRISTINE CORRUBIA, CPA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
RICHARD P. CAHILL, CPA, RMA, PSA
ANDREW PARENTE, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA

INDEPENDENT AUDITORS' REPORT

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

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 Nutley Board of Education, as of and for the fiscal year ended June 30, 2003, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Nutley Board of Education as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 1, the Nutley Board of Education has implemented a new reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2002, along with all related statements and interpretations. This new reporting model now includes a Management's Discussion and Analysis (MD&A), district-wide financial statements on a full accrual basis and reorganized fund-based statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2003 on our consideration of the Nutley Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of our audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nutley Board of Education's basic financial statements. The accompanying introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 98-07, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 6, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003

This section of the Nutley Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2002-2003) and the prior year (2001-2002) is required to be presented in the MD&A. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34 and that the Statement permits the omission of prior year data in the year of implementation, the District has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2002-2003 fiscal year include the following:

- The liabilities of the Nutley Board of Education exceeded its assets at the close of the fiscal year by \$860,380.
- Overall governmental revenues were \$42,379,835. General revenues accounted for \$35,730,705 or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,649,130 or 16% of total revenues.
- The school district had \$43,112,607 in expenses for governmental activities; only \$6,649,130 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$35,730,705 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$867,488.
- The General Fund fund balance at June 30, 2003 was \$985,407 a decrease of \$1,017,675 when compared with the beginning balance at July 1, 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

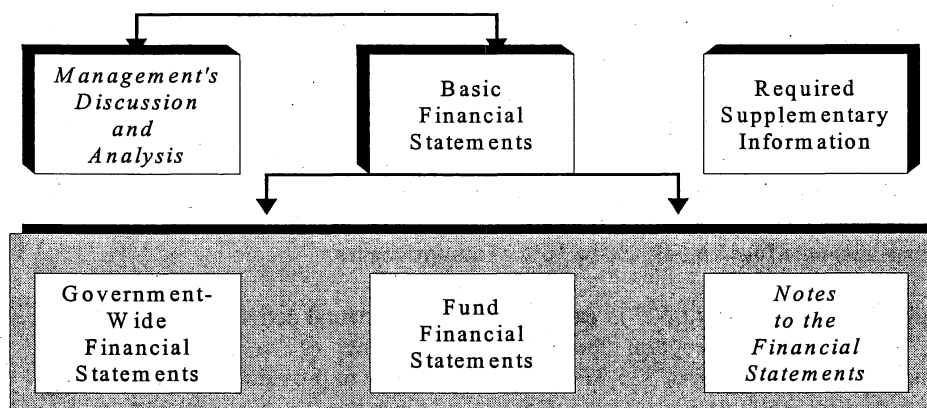
**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

- The first two statements are *government 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 were financed in the *short term* as well as what remains for future spending.
 - *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1



NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003

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 the 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 food service, and the Extended Day Program	Activities the district operates similar to private businesses: internal service and enterprise funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities
Required financial statements	Statements of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenue, expenses, and changes in fund net assets Statement of cash flows	Statements of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets 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, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide financial 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 assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

District-wide financial statements (continued)

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

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

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and Extended Day Program Fund are included under this category.

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 bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Fund financial statements (continued)

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds.

- Food Service (Cafeteria)
- Extended Day

• *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$860,380 as of June 30, 2003. See Table A-1.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table A-1
Net Assets
As of June 30, 2003**

	Governmental Activities	Business- Type Activities	Total
Current Assets	\$ 3,151,110	\$ 206,493	\$ 3,357,603
Capital Assets	<u>883,818</u>	<u>1,677</u>	<u>885,495</u>
Total Assets	<u>4,034,928</u>	<u>208,170</u>	<u>4,243,098</u>
Long-Term Liabilities	2,812,287		2,812,287
Other Liabilities	<u>2,286,542</u>	<u>4,649</u>	<u>2,291,191</u>
Total Liabilities	<u>5,098,829</u>	<u>4,649</u>	<u>5,103,478</u>
Net Assets			
Invested in capital assets, net of related debt	333,818	1,677	335,495
Restricted	116,001	-	116,001
Unrestricted	<u>(1,513,720)</u>	<u>201,844</u>	<u>(1,311,876)</u>
Total Net Assets	<u>\$ (1,063,901)</u>	<u>\$ 203,521</u>	<u>\$ (860,380)</u>

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

**Table A-2
Change in Net Assets
For The Fiscal Year Ended June 30, 2003**

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 105,502	\$ 1,150,789	\$ 1,256,291
Operating Grants and Contributions	6,512,610	83,702	6,596,312
Capital Grants and Contributions	31,018		31,018
General Revenues			
Property Taxes	32,938,598		32,938,598
State Aid	2,683,654		2,683,654
Other	108,453		108,453
Transfers	(185,000)	185,000	-
Total Revenues and Transfers	<u>42,194,835</u>	<u>1,419,491</u>	<u>43,614,326</u>
Expenses			
Instruction			
Regular	20,673,488		20,673,488
Special Education	5,084,142		5,084,142
Other Instruction	896,684		896,684
School Sponsored Activities and Athletics	1,091,990		1,091,990
Community Services	5,472		5,472
Support Services			
Student and Instruction Related Services	4,629,760		4,629,760
School Administrative Services	990,620		990,620
General Administrative Services	2,691,135		2,691,135
Plant Operations and Maintenance	4,490,099		4,490,099
Pupil Transportation	1,453,598		1,453,598
Business and Other Support Services	1,044,051		1,044,051
Special Schools	23,778		23,778
Interest on Long-Term Debt	37,790		37,790
Food Services		808,696	808,696
Child Care	-	529,727	529,727
Total Expenses	<u>43,112,607</u>	<u>1,338,423</u>	<u>44,451,030</u>
Increase (Decrease) in Net Assets	(917,772)	81,068	(836,704)
Net Assets, Beginning of Year	<u>(146,129)</u>	<u>122,453</u>	<u>(23,676)</u>
Net Assets, End of Year	<u>\$ (1,063,901)</u>	<u>\$ 203,521</u>	<u>\$ (860,380)</u>

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NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$42,364,073 for the year ended June 30, 2003 a 6 percent increase from the previous year. Property taxes of \$32,938,598 represented 78 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$9,210,020. Another source of revenues is miscellaneous income which includes items such as rentals, prior year refunds, etc. The smallest component of revenues is charges for services which includes tuition from other LEAs and transportation fees.

The total cost of all governmental activities programs and services was \$43,112,607. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$27,751,776 (64%) of total expenditures. Student support services, exclusive of administration, total \$4,629,760 or (11%) of total expenditures (See Table A-4).

Total governmental activities expenses and transfers surpassed revenues, decreasing net assets \$917,772 from the previous year.

Table A-3 Revenues by Source- Governmental Activities
For Fiscal Year 2003

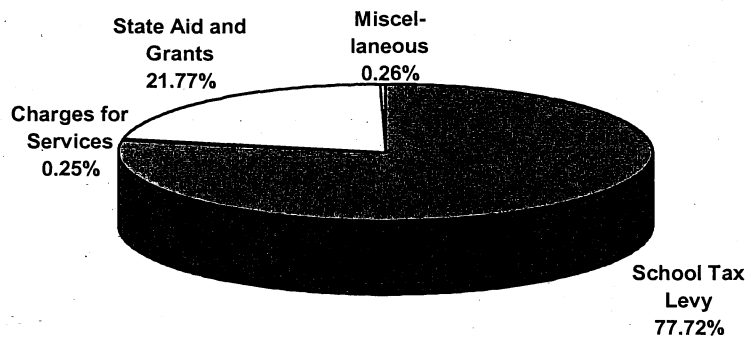
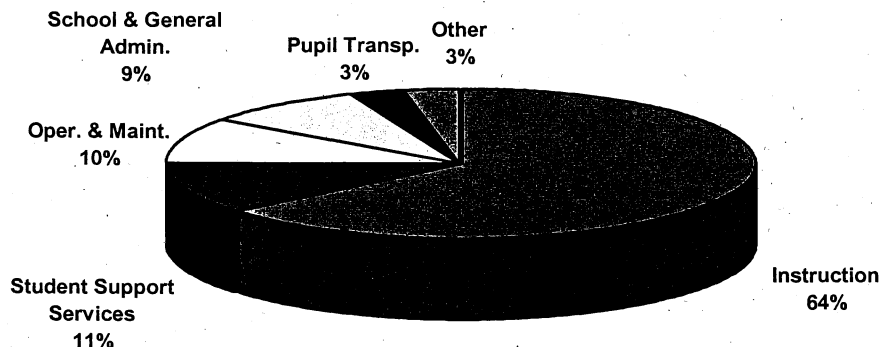


Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2003



**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Net Cost of Governmental Activities. The District's total cost of services was \$43,112,607. After applying program revenues, derived from charges for services of \$105,502; operating grants and contributions of \$6,512,610; and capital grants and contribution of \$31,018, the net cost of services of the District is \$36,463,477. See Table A-5.

**Table A-5
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction		
Regular	\$ 20,673,488	\$ 18,545,680
Special Education	5,084,142	2,169,174
Other Instruction	896,684	470,389
School Sponsored Activities and Athletics	1,091,990	990,121
Community Services	5,472	5,472
Support Services		
Student and Instruction Related Services	4,629,760	4,099,752
School Administrative Services	990,620	856,854
General Administrative Services	2,691,135	2,691,135
Plant Operations and Maintenance	4,490,099	4,150,829
Pupil Transportation	1,453,598	1,378,452
Business and Other Support Services	1,044,051	1,044,051
Special Schools	23,778	23,778
Interest on Long-Term Debt	37,790	37,790
Total	<u>\$ 43,112,607</u>	<u>\$ 36,463,477</u>

Business-Type Activities – The District's total business-type activities revenues were \$1,234,491 for the year ended June 30, 2003. Charges for services accounted for 93% of total revenues. Operating grants and contributions accounted for 7% of total revenue for the year.

The total cost of all business-type activities programs and services was \$1,338,423. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District and the operation of the extended day program.

Total business-type activities revenues and transfers in surpassed expenses, increasing net assets by \$81,068 over the last year.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$867,488. In 2001/2002, the fund balance was \$2,003,083. This significant decrease is predominately attributable to the District's utilization of available surplus funds to finance district expenditures.

Revenues for the District's governmental funds were \$42,364,073, while total expenses were \$43,314,668.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	<u>Year Ended</u> <u>June 30, 2003</u>	<u>Percentage</u> <u>of Total</u>
Local Sources		
Property Tax Levy	\$ 32,800,135	80.14%
Tuition	30,356	0.07%
Miscellaneous	183,599	0.45%
State Sources	<u>7,914,050</u>	<u>19.34%</u>
Total General Fund Revenues	<u>\$ 40,928,140</u>	<u>100.00%</u>

Total General Fund Revenues increased by \$2,447,720 or 6% over the previous year.

Local property taxes remained stable, increasing 5% over the previous year. State aid revenues increased \$1,025,401 or 15% predominantly attributable to State On-behalf TPAF Pension contributions which was zero for the year ended June 30, 2002.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Interest income revenues decreased 53% due to the reduction of interest rates on bank balances and lower available cash balances.

The following schedule presents a summary of General Fund expenditures.

	<u>Year Ended June 30, 2003</u>	<u>Percentage of Total</u>
Instruction	\$ 26,888,445	64.39%
Support Services	14,701,786	35.20%
Capital Outlay	146,806	0.35%
Special Schools	<u>23,778</u>	<u>0.06%</u>
Total Expenditures	<u><u>\$ 41,760,815</u></u>	<u><u>100%</u></u>

Total General Fund expenditures increased \$2,835,451 or 7% from the previous year. More than 24% of the increase can be attributed to the double digit increases in the cost of health insurance premiums. The District also experienced significant increases in areas of student related instructional services, pupil transportation and operation and maintenance of plant services.

In 2002-2003 General Fund expenditures and other financing uses exceeded revenues by \$1,017,675. As a result, total fund balance decreased to \$985,407 at June 30, 2003. After deducting statutory transfers and reserves, the unreserved undesignated fund balance decreased from \$957,866 at June 30, 2002 to \$767,919 at June 30, 2003.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

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

Revenues of the Special Revenue Fund were \$1,282,592, for the year ended June 30, 2003. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 68% of the total revenue for the year.

Total Special Revenue Fund revenues decreased \$48,652 or 4% from the previous year. State sources decreased \$42,146 or 10%, while Federal sources decreased \$8,006 or 1%.

Expenditures of the Special Revenue Fund were \$1,282,592. Instructional expenditures were \$836,747 or 65% and expenditures for the support services were \$445,845 or 35 % of total expended for the year ended June 30, 2003.

Capital Projects - The capital projects expenditures exceeded revenues by \$117,920 resulting in a fund balance (deficit) of \$117,920 at June 30, 2003.

Proprietary Funds

The District maintains Enterprise Funds to account for activities that are supported in part through user fees.

Enterprise Funds - The District uses Enterprise Funds to report activities related to the Food Services program as well as the Extended Day program. The District's Enterprise Funds provide the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of these Funds have already been addressed in the discussion of the District's business-type activities.

NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

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

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over.
- Increases in appropriations for the funding of capital projects approved in the Long-Range Facilities Plan.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2003 amounts to \$883,818 (net of accumulated depreciation). The capital assets consist of land, land improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2002-03 amounted to \$127,959 for governmental activities and \$238 for business-type activities.

Table A-6
Capital Assets at June 30, 2003
(Net of Accumulated Depreciation)

	Governmental Activities	Business- Type Activities	Total
Land	\$ 79,932		\$ 79,932
Buildings	76,836		76,836
Machinery and Equipment	609,130	1,677	610,807
Construction in Progress	<u>117,920</u>	<u>-</u>	<u>117,920</u>
Total Net Assets	<u><u>\$ 883,818</u></u>	<u><u>\$ 1,677</u></u>	<u><u>\$ 885,495</u></u>

Additional information on the District's capital assets are presented in Note 4C of this report.

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$2,262,287, and bonds payable of \$550,000.

Additional information of the District's long-term liabilities is presented in Note 4E and F of this report.

**NUTLEY BOARD OF EDUCATION
NUTLEY, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in good financial condition. Everyone associated with Nutley School District is grateful for the community support, as evidenced by the successful passage of the District's annual budget for the past five consecutive years.

Many factors were considered by the District's administration during the process of developing the fiscal year 2003-2004 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2003-2004. Budgeted expenditures in the General Fund increased 4 percent to \$41,386,240 in fiscal year 2003-2004. Increases in contractual payroll and employee benefits costs are the primary reasons for the increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Nutley Board of Education, 375 Bloomfield Ave., Nutley, NJ 07110.

BASIC FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 977,131	\$ 181,966	\$ 1,159,097
Receivables, net			
Receivables from Other Governments	2,014,828	18,226	2,033,054
Other	38,390	1,792	40,182
Inventory		9,270	9,270
Internal Balances	4,761	(4,761)	
Restricted Assets			
Capital Reserve Account - Cash	116,000		116,000
Capital Assets, net	<u>883,818</u>	<u>1,677</u>	<u>885,495</u>
Total Assets	<u>4,034,928</u>	<u>208,170</u>	<u>4,243,098</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	165,806		165,806
Payable to State Government	39,742		39,742
Accrued Interest Payable	2,920		2,920
Deferred Revenue	2,078,074	4,649	2,082,723
Noncurrent Liabilities			
Due within one year	110,000		110,000
Due beyond one year	<u>2,702,287</u>	<u>-</u>	<u>2,702,287</u>
Total Liabilities	<u>5,098,829</u>	<u>4,649</u>	<u>5,103,478</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	333,818	1,677	335,495
Restricted for			
Debt Service	1		1
Capital Projects	116,000		116,000
Unrestricted	<u>(1,513,720)</u>	<u>201,844</u>	<u>(1,311,876)</u>
Total Net Assets	<u>\$ (1,063,901)</u>	<u>\$ 203,521</u>	<u>\$ (860,380)</u>

The accompanying Notes to Financial Statements are an Integral Part of this Statement.

**NUTLEY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
Instruction							
Regular	\$ 20,673,488		\$ 2,112,552	\$ 15,256	\$ (18,545,680)		\$ (18,545,680)
Special Education	5,084,142	\$ 30,356	2,884,612		(2,169,174)		(2,169,174)
Other Instruction	896,684		426,295		(470,389)		(470,389)
School Sponsored Activities and Athletics	1,091,990		86,107	15,762	(990,121)		(990,121)
Community Services	5,472				(5,472)		(5,472)
Support Services							
Student and Instruction Related Services	4,629,760		530,008		(4,099,752)		(4,099,752)
School Administrative Services	990,620		133,766		(856,854)		(856,854)
General Administrative Services	2,691,135				(2,691,135)		(2,691,135)
Plant Operations and Maintenance	4,490,099		339,270		(4,150,829)		(4,150,829)
Pupil Transportation	1,453,598	75,146			(1,378,452)		(1,378,452)
Business Services	1,044,051				(1,044,051)		(1,044,051)
Special Schools	23,778				(23,778)		(23,778)
Interest on Long-Term Debt	37,790	-	-	-	(37,790)	-	(37,790)
Total Governmental Activities	43,112,607	105,502	6,512,610	31,018	(36,463,477)	-	(36,463,477)
Business-Type Activities							
Food Service	808,696	540,488	83,702			\$ (184,506)	(184,506)
Child Care	529,727	610,301	-	-	-	80,574	80,574
Total Business-Type Activities	1,338,423	1,150,789	83,702	-	-	(103,932)	(103,932)
Total Primary Government	\$ 44,451,030	\$ 1,256,291	\$ 6,596,312	\$ 31,018	(36,463,477)	(103,932)	(36,567,409)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**NUTLEY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Net (Expense) Revenue and Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues			
Property Taxes	\$ 32,938,598		\$ 32,938,598
State Aid - Unrestricted	2,668,776		2,668,776
State Aid - Restricted for Debt Service	14,878		14,878
Investment Earnings	38,461		38,461
Miscellaneous Income	69,992		69,992
Transfers	<u>(185,000)</u>	<u>\$ 185,000</u>	<u>-</u>
 Total General Revenues, Special Items and Transfers	 <u>35,545,705</u>	 <u>185,000</u>	 <u>35,730,705</u>
 Change in Net Assets	 (917,772)	 81,068	 (836,704)
 Net Assets, Beginning of Year	 <u>(146,129)</u>	 <u>122,453</u>	 <u>(23,676)</u>
 Net Assets, End of Year	 <u><u>\$ (1,063,901)</u></u>	 <u><u>\$ 203,521</u></u>	 <u><u>\$ (860,380)</u></u>

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2003**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 771,639	\$ 205,491		\$ 1	\$ 977,131
Receivables, Net	37,290	1,100			38,390
Due from Other Funds	77,427				77,427
Receivables from Other Governments	64,218	1,541	\$ 1,949,069		2,014,828
Restricted Cash and Cash Equivalents	116,000	-	-	-	116,000
Total Assets	\$ 1,066,574	\$ 208,132	1,949,069	\$ 1	\$ 3,223,776
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 81,167	\$ 39,385	\$ 45,254		\$ 165,806
Due to Other Funds			72,666		72,666
Payable to State Government		39,742			39,742
Deferred Revenue	-	129,005	1,949,069	-	2,078,074
Total Liabilities	81,167	208,132	2,066,989	-	2,356,288
Fund Balances					
Reserved for					
Encumbrances	101,488				101,488
Capital Reserve Account	116,000				116,000
Unreserved, Reported in					
Undesignated, Reported in					
General Fund	767,919				767,919
Debt Service Fund				1	1
Capital Projects Fund	-	-	(117,920)	-	(117,920)
Total Fund Balances	985,407	-	(117,920)	1	867,488
Total Liabilities and Fund Balances	\$ 1,066,574	\$ 208,132	\$ 1,949,069	\$ 1	

Amounts reported for *governmental activities* in the statement of net assets (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 \$7,563,798 and the accumulated depreciation is \$6,679,980.

883,818

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:

(2,920)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Serial Bonds Payable \$ (550,000)
Compensated Absences Payable (2,262,287)

(2,812,287)

Net assets of governmental activities

\$ (1,063,901)

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 32,800,135			\$ 138,463	\$ 32,938,598
Tuition	30,356				30,356
Transportation Fees	75,146				75,146
Miscellaneous	108,453	\$ 1,500	-	-	109,953
Total - Local Sources	33,014,090	1,500	-	138,463	33,154,053
State Sources	7,914,050	409,018		14,878	8,337,946
Federal Sources	-	872,074	-	-	872,074
Total Revenues	40,928,140	1,282,592	-	153,341	42,364,073
EXPENDITURES					
Current					
Regular Instruction	20,598,085	70,147			20,668,232
Special Education Instruction	4,597,911	470,772			5,068,683
Other Instruction <i>Basic Skills, LEP, etc.</i>	600,856	295,828			896,684
School-Sponsored Activities and Athletics	1,086,124				1,086,124
Community Services	5,469				5,469
Support Services and Undistributed Costs					-
Student and Instructional Related Services <i>Lib./Guidance</i>	4,209,803	420,158			4,629,961
School Administrative Services <i>CST</i>	921,792				921,792
General Administrative Services	2,666,740				2,666,740
Plant Operations and Maintenance	4,460,888				4,460,888
Pupil Transportation	1,366,364	10,430			1,376,794
Business Services	1,076,199				1,076,199

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Continued)					
Special Schools	\$ 23,778				\$ 23,778
Debt Service					
Principal				\$ 115,000	115,000
Interest and Other Charges				38,341	38,341
Capital Outlay	146,806	\$ 15,257	\$ 117,920	-	279,983
	<u>41,760,815</u>	<u>1,282,592</u>	<u>117,920</u>	<u>153,341</u>	<u>43,314,668</u>
Total Expenditures					
	<u>41,760,815</u>	<u>1,282,592</u>	<u>117,920</u>	<u>153,341</u>	<u>43,314,668</u>
Excess (Deficiency) of Revenues Over Expenditures	(832,675)	-	(117,920)	-	(950,595)
OTHER FINANCING SOURCES (USES)					
Transfers Out	(185,000)	-	-	-	(185,000)
	<u>(185,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,000)</u>
Total Other Financing Sources and Uses					
	<u>(185,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,000)</u>
Net Change in Fund Balances	(1,017,675)	-	(117,920)	-	(1,135,595)
Fund Balance, Beginning of Year	2,003,082	-	-	1	2,003,083
	<u>2,003,082</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2,003,083</u>
Fund Balance, End of Year	\$ 985,407	\$ -	\$ (117,920)	\$ 1	\$ 867,488
	<u>\$ 985,407</u>	<u>\$ -</u>	<u>\$ (117,920)</u>	<u>\$ 1</u>	<u>\$ 867,488</u>

**NUTLEY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Total net change in fund balances - governmental funds (Exhibit B-2)

FUNDS

\$ (1,135,595)

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

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

Capital Outlay
Depreciation Expense

\$ 279,983
(127,959)

152,024

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

15,762

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

Compensated Absences

(65,514)

Repayment of general obligation bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

115,000

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

Decrease in accrued interest

551

Change in net assets of governmental activities (Exhibit A-2)

GASB 34

\$ (917,772)

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS			
Cash and Cash Equivalents		\$ 181,966	\$ 181,966
Intergovernmental Accounts Receivable			
State	\$ 1,078		1,078
Federal	11,302		11,302
Other	5,846		5,846
Other Accounts Receivable		1,792	1,792
Inventory	9,270	-	9,270
	<u>27,496</u>	<u>183,758</u>	<u>211,254</u>
Total Current Assets			
Noncurrent Assets			
Machinery and Equipment	118,005		118,005
Less: Accumulated Depreciation	116,328	-	116,328
	<u>1,677</u>	<u>-</u>	<u>1,677</u>
Total Noncurrent Assets			
Total Assets	<u>29,173</u>	<u>183,758</u>	<u>212,931</u>
LIABILITIES			
Current Liabilities			
Interfunds Payable	4,761		4,761
Deferred Revenue	4,649	-	4,649
	<u>9,410</u>	<u>-</u>	<u>9,410</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets Net of Related Debt	1,677		1,677
Unrestricted	18,086	183,758	201,844
	<u>19,763</u>	<u>183,758</u>	<u>203,521</u>
Total Net Assets	<u>\$ 19,763</u>	<u>\$ 183,758</u>	<u>\$ 203,521</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES			
Charges for Services			
Tuition		\$ 610,301	\$ 610,301
Daily Sales - Reimbursable	\$ 212,189		212,189
School Lunch Program	251,675		251,675
Special Functions	59,430		59,430
Miscellaneous	17,194	-	17,194
Total Operating Revenues	<u>540,488</u>	<u>610,301</u>	<u>1,150,789</u>
OPERATING EXPENSES			
Salaries and Wages	334,707	494,782	829,489
Benefits	138,657	6,855	145,512
Cost of Goods Sold	327,022		327,022
Supplies	2,988	6,928	9,916
Purchased Services	4,069	12,655	16,724
Other	1,015	8,507	9,522
Depreciation	238	-	238
Total Operating Expenses	<u>808,696</u>	<u>529,727</u>	<u>1,338,423</u>
Operating Income (Loss)	<u>(268,208)</u>	<u>80,574</u>	<u>(187,634)</u>
Nonoperating Revenues			
State Sources			
State School Lunch Program	6,184		6,184
Federal Sources			-
Federal School Lunch Program	62,361		62,361
USDA Commodities	15,157	-	15,157
Total Nonoperating Revenues	<u>83,702</u>	<u>-</u>	<u>83,702</u>
Net Income (Loss) Before Operating Transfers	<u>(184,506)</u>	<u>80,574</u>	<u>(103,932)</u>
Operating Transfers In	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Net Income	<u>494</u>	<u>80,574</u>	<u>81,068</u>
Net Assets, Beginning of Year	<u>19,269</u>	<u>103,184</u>	<u>122,453</u>
Net Assets, End of Year	<u>\$ 19,763</u>	<u>\$ 183,758</u>	<u>\$ 203,521</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 539,052	\$ 608,509	\$ 1,147,561
Payments for Employees	(473,365)	(501,637)	(975,002)
Payments to Suppliers	<u>(319,212)</u>	<u>(28,090)</u>	<u>(347,302)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(253,525)</u>	<u>78,782</u>	<u>(174,743)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Transfers from Other Funds	185,000		185,000
State and Federal Sources	<u>68,525</u>	<u>-</u>	<u>68,525</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	253,525	-	253,525
Net Increase (Decrease) in Cash and Cash Equivalents		78,782	78,782
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>103,184</u>	<u>103,184</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 181,966</u>	<u>\$ 181,966</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (268,208)	\$ 80,574	\$ (187,634)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	238		238
Food Distribution Program	15,157		15,157
(Increase) Decrease in Accounts Receivable	(1,436)	(1,792)	(3,228)
(Increase) Decrease in Inventories	409		409
Increase (Decrease) in Other Liabilities	<u>315</u>	<u>-</u>	<u>315</u>
Total Adjustments	<u>14,683</u>	<u>(1,792)</u>	<u>12,891</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (253,525)</u>	<u>\$ 78,782</u>	<u>\$ (174,743)</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2003**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 476,558	\$ 163,595
Total Assets	<u>476,558</u>	<u>163,595</u>
LIABILITIES		
Due to Student Groups		\$ 163,595
Payable to State Government	<u>11,230</u>	<u>-</u>
Total Liabilities	<u>11,230</u>	<u>163,595</u>
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 465,328</u>	

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ <u>81,978</u>
Investment Earnings	
Interest	<u>9,423</u>
Total Additions	<u>91,401</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>103,505</u>
Change in Net Assets	(12,104)
Net Assets, Beginning of Year	<u>477,432</u>
Net Assets, End of Year	<u><u>\$ 465,328</u></u>

NOTES TO FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

During the 2002/03 school year, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. District-Wide and Fund Financial Statements (Continued)

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

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

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *capital projects fund* accounts for the proceeds from the sale of bonds, other revenues used for the acquisition or construction of major capital facilities.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

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

The *extended day fund* accounts for the activities of the District's before and after school child care program.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the State Unemployment Insurance Fund. This fund also accounts for the activity of agency funds, including payroll and student activities programs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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

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

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

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

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

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37. During the year 2002/03, the Board has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" which amended GASB Statement No. 3. See Note 3 for specific disclosures on cash and investments.

2. *Receivables and Payables*

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

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

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Expenditures - Tuition charges for the fiscal years 2001-02 and 2002-03 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

3. *Inventories and Prepaid Items*

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	20-35
Machinery and Equipment	5-20

5. Compensated Absences

At June 30, 2003, the district has recognized a liability in the General Fund for vacation and sick leave and salary related payments earned and payable from current available resources. A long-term liability of accumulated vacation and sick leave has been recorded in the governmental activities in the District-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue vacation and sick leave in the period that they are earned.

6. Long-term obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. *Fund Equity*

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

Reserved for Capital Reserve Account - This reserve was created by budget appropriation to fund future capital expenditures (See Note 2C.)

8. *Comparative Data/Reclassifications*

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education, the District annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2002/2003. During 2002/2003 the Board increased the original budget by \$360,001. The increase was funded by grant awards and reappropriation of prior year encumbrances.

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

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of 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.

B. Deficit Fund Equity

The District has an accumulated deficit of \$117,920 in the Capital Projects Fund as of June 30, 2003. This deficit is the result of the Board incurring expenditures for the 2003 bond referendum, which was prior to the sale of school bonds or receipt of state aid. As the Board permanently finances these appropriations or receives state aid, the District will realize as revenues the proceeds of the financing or state aid. This deficit does not indicate that the District is facing financial difficulties and is permitted practice under accounting principles generally accepted in the United States of America.

C. Capital Reserve Account

A capital reserve account was established by the District on September 25, 2000. The accumulation of funds will be used for 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) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. 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 District transferred \$116,000 to its Capital Reserve account during 2003.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. At June 30, 2003, the book value of the Board's deposits was \$317,852 and bank balances of the Board's cash and deposits amounted to \$1,643,718. Of the bank balances \$694,369 was covered by FDIC, \$949,349 was covered by the New Jersey Governmental Unit Deposit Protection Act. The Board's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	<u>\$1,643,718</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2003, the Board's bank balances were not exposed to custodial credit risk.

Investments

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

- Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- Government Money Market Mutual Funds.
- Any obligations that a federal agency or a federal instrumentality has issued, 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.
- Bonds or other obligations of the school district or bonds or other obligations of the local unit or units which the school district is located.
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- Local Government investment pools.
- Agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 18A:20-37.

As of June 30, 2003, the Board had the following investments which are displayed on the balance sheet as "cash and cash equivalents":

<u>Investment:</u>	<u>Fair Value</u>
U.S. Government Securities	<u>\$ 1,597,398</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Child Care</u>	<u>Total</u>
Receivables:						
Accounts	\$ 37,290	\$ 1,100			\$ 1,792	\$ 40,182
Intergovernmental- Restricted	64,218	1,541	1,949,069	18,226	-	2,033,054
Gross Receivables	101,508	2,641	1,949,069	18,226	1,792	2,073,236
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 101,508</u>	<u>\$ 2,641</u>	<u>\$ 1,949,069</u>	<u>\$ 18,226</u>	<u>\$ 1,792</u>	<u>\$ 2,073,236</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Economic Development Authority School Facilities Grant	\$1,949,069
Unencumbered grant draw downs	110,791
Grant draw downs reserved for encumbrances	18,214
Total deferred/unearned revenue for governmental funds	<u>\$2,078,074</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 79,932			\$ 79,932
Construction in progress	-	\$ 117,920	-	117,920
Total capital assets, not being depreciated	<u>79,932</u>	<u>117,920</u>	<u>-</u>	<u>197,852</u>
Capital assets, being depreciated:				
Buildings	5,390,897	46,294		5,437,191
Machinery and equipment	<u>1,797,224</u>	<u>131,531</u>	<u>-</u>	<u>1,928,755</u>
Total capital assets being depreciated	<u>7,188,121</u>	<u>177,825</u>	<u>-</u>	<u>7,365,946</u>
Less accumulated depreciation for:				
Buildings	5,340,989	19,366		5,360,355
Machinery and equipment	<u>1,211,032</u>	<u>108,593</u>	<u>-</u>	<u>1,319,625</u>
Total accumulated depreciation	<u>6,552,021</u>	<u>127,959</u>	<u>-</u>	<u>6,679,980</u>
Total capital assets, being depreciated, net	<u>636,100</u>	<u>49,866</u>	<u>-</u>	<u>685,966</u>
Government activities capital assets, net	<u>\$ 716,032</u>	<u>\$ 167,786</u>	<u>\$ -</u>	<u>\$ 883,818</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 118,005	-	-	\$ 118,005
Total capital assets being depreciated	<u>118,005</u>	<u>-</u>	<u>-</u>	<u>118,005</u>
Less accumulated depreciation for:				
Machinery and Equipment	116,090	\$ 238	-	116,328
Total accumulated depreciation	<u>116,090</u>	<u>238</u>	<u>-</u>	<u>116,328</u>
Total capital assets, being depreciated, net	<u>\$ 1,915</u>	<u>\$ (238)</u>	<u>\$ -</u>	<u>\$ 1,677</u>
Business-type activities capital assets, net	<u>\$ 1,915</u>	<u>\$ (238)</u>	<u>\$ -</u>	<u>\$ 1,677</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:

Instruction

Regular	\$ 29,870
Special	1,378
School-Sponsored/Other Instructional	5,866
Community Services	3
Total Instruction	<u>37,117</u>

Support Services

Student and Instruction Related Services	8,328
General administration	10,633
School administration	3,962
Operations and maintenance of plant	11,695
Student transportation	54,712
Business and other support services	1,512
Total Support Services	<u>90,842</u>

Total depreciation expense - governmental activities	<u>\$ 127,959</u>
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Business-type activities:

Food Service Fund	\$ 238
Total depreciation expense-business-type activities	<u>\$ 238</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2003, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$72,666
General Fund	Enterprise Fund – Food Services	<u>4,761</u>
Total		<u>\$77,427</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

The above balances are the result of expenditures paid by one fund on behalf of another fund and for funds deposited in one fund which were intended for another fund.

Interfund transfers

	<u>Transfer In:</u>
	Enterprise <u>Service</u>
Transfer Out:	
General Fund	\$ 185,000
Total transfers out	<u>\$ 185,000</u>

The above transfers are the result of funds budgeted in one fund to fund expenditures in another fund.

E. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2003 are comprised of the following issues:

\$1,700,000, 1992 Bonds, due in annual installments of \$110,000 through September 1, 2007, variable interest rate	<u>\$550,000</u>
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The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2003 was as follows:

4% of Equalized Valuation Basis (Municipal)		\$ 85,855,936
Less: Net Debt Issued	\$ 550,000	
Authorized But Not Issued	<u>4,872,673</u>	
		<u>5,422,673</u>
Remaining Borrowing Power		<u>\$ 80,433,263</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

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

Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2004	\$ 110,000	\$ 31,818	\$ 141,818
2005	110,000	25,025	135,025
2006	110,000	17,875	127,875
2007	110,000	10,725	120,725
2008	110,000	3,575	113,575
	<u>\$ 550,000</u>	<u>\$ 89,018</u>	<u>\$ 639,018</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 665,000		\$ 115,000	\$ 550,000	\$ 110,000
Compensated absences	2,196,773	65,514	-	2,262,287	-
Governmental activity Long-term liabilities	<u>\$ 2,861,773</u>	<u>\$ 65,514</u>	<u>\$ 115,000</u>	<u>\$ 2,812,287</u>	<u>\$ 110,000</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

The District is a member of the Suburban Essex Joint Insurance Fund. The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

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

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

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

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2002-2003	\$ -	\$ 81,978	\$ 103,505	\$ 465,328
2001-2002	-	53,479	64,415	477,434
2000-2001	-	48,685	47,470	469,695

B. Subsequent Events

On August 15, 2003, the Board of Education issued \$2,923,000 of school bonds to finance improvements in the Capital Projects Fund.

C. Contingent Liabilities

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

The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2003, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

D. Employee Retirement Systems and Pension Plans

Plan Descriptions

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statutes, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Descriptions (Continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established as of January 1, 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to cover substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system.

The TPAF and PERS are included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The Fund provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the Fund. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation referred to below, are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 24 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Legislation was passed during 2001 (Chapter 353, P.L. 2001) that provides an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veteran's retirement allowance increased from 50% to 54.5% of the member's compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which are effective October 2001.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Descriptions (Continued)

Vesting and Benefit Provisions (Continued)

Teachers' Pension and Annuity Fund (Continued)

Legislation passed in fiscal year 2001 (Chapter 133, P.L. 2001) increased the retirement benefits under service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduces the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Public Employees Retirement System

The vesting and benefit provisions are set by statute (N.J.S.A. 43:15A and 43:3B). The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the system. Retirement benefits for age and service are available at the age of 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% per annum 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.

Legislation passed in 2001 (Ch. 133, P.L. 2001) increased the retirement benefits under service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increased the retirement benefits for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable increase in their retirement allowances, effective with the November 1, 2001 benefit payments.

Contributions

Teachers' Pension and Annuity Fund

The contribution policy is set by N.J.S.A. 18A:66 requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members' contribution at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate will remain at 3% for as long as surplus assets are available in the Fund. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Contributions (Continued)

Teachers' Pension and Annuity Fund (Continued)

The State and local employers were not required to make a normal contribution to the System in 2002 and 2001. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by actuarially determined excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions to the State of New Jersey and the local participating employers. Through FY 2002, excess valuation assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

Public Employees' Retirement System

The contribution policy is set by statute and requires contributions from active members and contributing employers. Plan members and employer contribution rates may be amended by State of New Jersey legislation. Members contribute at a uniform rate of base pay. The full normal employee contribution rate is 5%; however, as a result of legislation (Ch. 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The legislation provides that the rate will remain 3% as long as actuarially determined excess valuation assets are available in the fund. The annual employer contribution is based upon an actuarially determined rate. Such contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributing death benefits. Local employers were not required to make a normal contribution in 2002, 2001 and 2000. The normal contribution was funded by excess valuation assets as permitted by Ch. 115, P.L. 1997. This legislation permits actuarially determined excess valuation assets to offset normal contributions through fiscal year 2002. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

E. Post Retirement Benefits

Post-Employment Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (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. As of June 30, 2002, there were 54,493 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

In accordance with P.L. 2002, c.11 which allowed the State to use available reserves in the post-retirement medical reserve funds to cover required pay-as-you-go medical premiums, the State did not make a contribution to the PERS and TPAF in fiscal year 2002 toward the cost of post-retirement medical benefits. The legislation also suspended in fiscal years 2002 and 2003 the additional post retirement medical contribution to increase the fund balance by one half of one percent of active member salaries for the valuation period. State law provides that post retirement medical contributions resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of three fifths of one percent of active member salaries for the valuation period.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 OTHER INFORMATION (Continued)

E. Post Retirement Benefits (Continued)

Post-Employment Medical Benefits (Continued)

The State is also responsible for the cost attributable to Ch. 126, P.L. 1992, which provides for health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$42.8 million toward Chapter 126 benefits for 7,604 eligible retired members in fiscal year 2002.

Financial Statements

Complete financial statements of the TPAF and PERS may be obtained from the State of New Jersey, Department of Treasury, Division of Pensions, P.O. Box 295, Trenton, NJ 08625.

BUDGETARY COMPARISON SCHEDULES

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 32,800,135		\$ 32,800,135	\$ 32,800,135	
Tuition	71,573		71,573	30,356	\$ 41,217
Transportation Fees	80,000		80,000	75,146	
Other Restricted Miscellaneous	30,000		30,000	13,229	16,771
Unrestricted Miscellaneous	198,000	-	198,000	95,224	102,776
Total Revenues - Local Sources	33,179,708	-	33,179,708	33,014,090	160,764
State Sources					
Core Curriculum Aid	2,799,975		2,799,975	2,799,975	
Transportation Aid	345,006		345,006	345,006	
Special Education Aid	2,235,481		2,235,481	2,235,481	
Bilingual Education	65,426		65,426	65,426	
Academic Achievement Award	44,426		44,426	44,426	
Other State Aid				57,386	(57,386)
On Behalf TPAF Pension Contributions(Non-Budgeted)				994,850	(994,850)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	1,628,761	(1,628,761)
Total State Sources	5,490,314	-	5,490,314	8,171,311	(2,680,997)
Total Revenues	38,670,022	-	38,670,022	41,185,401	(2,520,233)
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Preschool/Kindergarten	469,595	\$ 20,300	489,895	489,831	64
Grades 1 - 5	5,985,864	(105,522)	5,880,342	5,880,332	10
Grades 6 - 8	3,715,044	74,930	3,789,974	3,789,945	29
Grades 9 - 12	5,163,323	50,700	5,214,023	5,213,852	171
Home Instruction:					
Salaries of Teachers	57,000	11,330	68,330	68,075	255
Purchased Professional Services	8,000	28,970	36,970	36,563	407
Other Objects	100		100		100
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	41,347	(15,000)	26,347	25,488	859
Purchased Technical Services	5,600		5,600	5,250	350
Other Purchased Services	59,541	2,508	62,049	60,898	1,151
General Supplies	646,144	(126,641)	519,503	518,720	783
Textbooks	242,600	(36,933)	205,667	205,658	9
Other Objects	20,500	(2,160)	18,340	16,277	2,063
Total Instruction Regular Programs	16,414,658	(97,518)	16,317,140	16,310,889	6,251
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	845,020	14,800	859,820	859,605	215
Other Salaries for Instruction	123,273	(801)	122,472	122,472	
General Supplies	19,161	(460)	18,701	16,819	1,882
Textbooks	6,800	461	7,261	7,261	
Other Objects	250	(1)	249	-	249
Total Learning/Language Disabilities	994,504	13,999	1,008,503	1,006,157	2,346
Resource Room/Resource Center					
Salaries of Teachers	663,437	113,950	777,387	777,383	4
Other Salaries for Instruction		135	135	134	1
General Supplies	12,272	(335)	11,937	10,819	1,118
Textbooks	3,300	-	3,300	2,207	1,093
Other Objects	50	-	50	-	50
Total Resource Room/Resource Center	679,059	113,750	792,809	790,543	2,266

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Preschool Disabilities					
Salaries of Teachers	\$ 99,750	\$ 6,000	\$ 105,750	\$ 105,739	\$ 11
Other Salaries for Instruction	39,209	4,000	43,209	43,161	48
General Supplies	1,360		1,360	493	867
Textbooks	100		100		100
Other Objects	50	-	50	-	50
Total Preschool Disabilities	140,469	10,000	150,469	149,393	1,076
Total Special Education	1,814,032	137,749	1,951,781	1,946,093	5,688
Basic Skills/Remedial					
Salaries of Teachers	396,297	(50,200)	346,097	343,490	2,607
General Supplies	6,000	(3,187)	2,813	2,718	95
Textbooks	500		500	425	75
Other Objects	300	-	300	31	269
Total Basic Skills/Remedial	403,097	(53,387)	349,710	346,664	3,046
Bilingual Education					
Salaries of Teachers	148,057	32,000	180,057	179,845	212
General Supplies	2,800	(1,075)	1,725	1,708	17
Textbooks	600	1,432	2,032	2,032	-
Total Bilingual Education	151,457	32,357	183,814	183,585	229
Vocational Programs- Local - Instruction					
Salaries of Teachers	2,800	-	2,800	2,500	300
Total Vocational Programs-Local-Instruction	2,800	-	2,800	2,500	300
Co-Curricular Activities					
Salaries of Teachers	168,744	3,404	172,148	172,123	25
General Supplies	2,193		2,193	800	1,393
Other Objects	4,010	(3,316)	694	693	1
Total Co-Curricular Activities	174,947	88	175,035	173,616	1,419
Athletics					
Salaries	481,813	12,875	494,688	492,692	1,996
Purchased Services	58,400	725	59,125	59,121	4
Supplies and Materials	63,525	13,189	76,714	74,020	2,694
Other Objects	124,750	16,726	141,476	135,728	5,748
Total Athletics	728,488	43,515	772,003	761,561	10,442
Community Services					
Salaries	3,500	2,096	5,596	5,029	567
Total Community Services	3,500	2,096	5,596	5,029	567
Total Instruction	19,692,979	64,900	19,757,879	19,729,937	27,942
Tuition					
Tuition to NJ LEA's - Special	325,497	13,133	338,630	327,214	11,416
Tuition to County Vocational - Regular	6,000	(4,825)	1,175		1,175
Tuition to County Vocational - Special	62,700	(35,038)	27,662	27,660	2
Tuition to County Sp Service and Regional Day School	205,675	(10,833)	194,842	172,842	22,000
Tuition to NJ Private Handicapped	1,824,767	(382,523)	1,442,244	1,426,620	15,624
Tuition - State Facilities	16,054	-	16,054	16,054	-
Total Tuition	2,440,693	(420,086)	2,020,607	1,970,390	50,217

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Health Services					
Salaries	\$ 392,569	\$ (7,446)	\$ 385,123	\$ 385,103	\$ 20
Purchased Professional Services	24,000	10,975	34,975	33,417	1,558
Other Purchased Services	200		200		200
Supplies and Materials	15,762	(2,114)	13,648	13,646	2
Other Objects	250	-	250	27	223
Total Health Services	432,781	1,415	434,196	432,193	2,003
Undistributed Expend.-Other Supp. Svcs.-					
Student Related Services					
Salaries	252,146	20,544	272,690	272,690	
Purchased Professional Services	20,000	115,541	135,541	116,393	19,148
Supplies and Materials	1,824		1,824	1,505	319
Other Objects	50	100	150	89	61
Total Other Support/Student Related Services	274,020	136,185	410,205	390,677	19,528
Undistributed Expend.-Other Supp. Svcs.-Extraord. Serv.					
Salaries	67,734	3,450	71,184	71,174	10
Purchased Professional Services	28,664	(28,664)			
Supplies and Materials	2,890		2,890	2,100	790
Other Objects	200	-	200	-	200
Total Other Support/Extraordinary Services	99,488	(25,214)	74,274	73,274	1,000
Undistributed Expend.-Other Supp. Svcs.-Students- Reg					
Salaries of Other Professional Staff	754,477	35,540	790,017	790,015	2
Salaries of Secretarial Staff	107,462	5,220	112,682	112,678	4
Purchased Professional Services	1,750	(1,500)	250		250
Other Purchased Professional Services	44,500	3,400	47,900	46,419	1,481
Other Purchased Services	2,400	200	2,600	2,593	7
Supplies and Materials	29,400	1,605	31,005	30,397	608
Other Objects	2,800	1,671	4,471	4,471	-
Total Other Support Services/Regular	942,789	46,136	988,925	986,573	2,352
Undistributed Expend.-Other Supp. Svcs.-Students- Special					
Salaries of Other Professional Staff	603,025	85,180	688,205	688,189	16
Purchased Professional Educational Services		711	711		711
Miscellaneous Purchased Services	3,200	(670)	2,530	2,188	342
Supplies and Materials	12,470	(163)	12,307	10,391	1,916
Other Objects	150	-	150	-	150
Total Other Support Services/Special	618,845	85,058	703,903	700,768	3,135
Improvement of Instruction					
Salaries of Supervisors of Instruction	119,239	(80)	119,159	119,155	4
Salaries of Other Professional Staff	54,000	(12,165)	41,835	39,111	2,724
Salaries of Secretarial Staff	145,551	1,746	147,297	147,296	1
Other Purchased Professional Services	600		600		600
Other Purchased Services	1,100	520	1,620	1,479	141
Supplies and Materials	12,699	(1,089)	11,610	8,730	2,880
Other Objects	500	575	1,075	1,074	1
Total Improvement of Instruction	333,689	(10,493)	323,196	316,845	6,351
Educational Media Services/ School Library					
Salaries	593,597	(19,500)	574,097	572,854	1,243
Purchased Professional Services	2,550		2,550	600	1,950
Other Purchased Services	9,340	9,450	18,790	17,880	910
Supplies and Materials	147,576	(34,196)	113,380	112,384	996
Total Educational Media Services/ School Library	753,063	(44,246)	708,817	703,718	5,099

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Instructional Staff Training Services					
Salaries of Other Professional Staff	\$ 20,000	\$ (9,450)	\$ 10,550	\$ 9,040	\$ 1,510
Purchased Professional Services	6,000		6,000	4,725	1,275
Other Purchased Services	17,800	(8,113)	9,687	9,466	221
Supplies and Materials	750	(97)	653		653
Other Objects	900	97	997	996	1
Total Instructional Staff Training Services	45,450	(17,563)	27,887	24,227	3,660
Support Services General Administration					
Salaries	439,773	(3,957)	435,816	435,815	1
Legal Services	65,000	4,765	69,765	52,571	17,194
Other Purchased Professional Services	25,000	88,521	113,521	27,832	85,689
Purchased Technical Services	3,500		3,500	2,295	1,205
Communications/Telephone	153,953	(39,407)	114,546	111,798	2,748
Other Purchased Services	135,169	12,965	148,134	147,458	676
Supplies and Materials	17,300	8,688	25,988	19,120	6,868
Miscellaneous Expenditures	43,000	16,925	59,925	52,628	7,297
Total Support Services General Administration	882,695	88,500	971,195	849,517	121,678
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,070,230	(37,431)	1,032,799	1,032,780	19
Salaries of Other Professional Staff	385,500	46,230	431,730	431,729	1
Salaries of Secretarial Staff	537,813	5,020	542,833	542,804	29
Other Purchased Services	23,100	21,753	44,853	33,743	11,110
Supplies and Materials	62,004	(4,930)	57,074	56,770	304
Other Objects	46,450	2,073	48,523	46,717	1,806
Total Support Services School Administration	2,125,097	32,715	2,157,812	2,144,543	13,269
Required Maintenance for School Facilities					
Salaries	335,268	(9,965)	325,303	325,295	8
Cleaning, Repair and Maintenance Services	118,190	(14,840)	103,350	94,697	8,653
General Supplies	110,467	9,336	119,803	119,194	609
Other Objects	1,000	-	1,000	162	838
Total Required Maint for School Facilities	564,925	(15,469)	549,456	539,348	10,108
Other Operations and Maintenance of Plant					
Salaries	1,886,834	13,486	1,900,320	1,900,319	1
Purchased Professional Services	45,500	1,248	46,748	46,748	
Cleaning, Repair and Maintenance Services	222,750	5,949	228,699	211,216	17,483
Rental of Land & Bldg. Oth. Than Lease Pur Agreement		233	233		233
Insurance	76,030	3,474	79,504	79,503	1
Other Purchased Services	33,500	(8,430)	25,070	24,861	209
General Supplies	107,290	(11,705)	95,585	93,925	1,660
Energy	583,500	(68,808)	514,692	513,148	1,544
Other Objects	278,900	142,755	421,655	421,653	2
Total Other Operations and Maint. of Plant	3,234,304	78,202	3,312,506	3,291,373	21,133

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	\$ 634,163	\$ (35,755)	\$ 598,408	\$ 598,406	\$ 2
Salaries for Pupil Trans (Other than Bet Home & Sch).	129,267	8,970	138,237	138,230	7
Cleaning, Repair and Maintenance Services	47,000	2,550	49,550	48,987	563
Lease Purchase Payments - School Buses - Lease of Space for Buses		7,075	7,075	6,600	475
Contr Serv(Oth. Than Bet Home & Sch)-Vend	67,500	(22,900)	44,600	44,555	45
Contr Serv(Special Education)-Vendors	257,120	3,550	260,670	223,877	36,793
Contr Serv(Special Education)-Joint Agreements	10,000	(8,799)	1,201		1,201
Other Purchased Services		3,243	3,243	1,827	1,416
Miscellaneous Purch. Services- Transportation	16,461	3,800	20,261	19,887	374
Supplies and Materials	41,200	(8,826)	32,374	32,370	4
Miscellaneous Expenditures	14,000	3,477	17,477	17,466	11
Total Student Transportation Services	1,216,711	(43,615)	1,173,096	1,132,205	40,891
Business and Other Services					
Salaries	802,087	(21,035)	781,052	781,049	3
Purchased Professional Services	70,000	(55,062)	14,938	14,912	26
Purchased Technical Services	68,500	(47,030)	21,470	19,148	2,322
Other Purchased Services	43,800	(4,915)	38,885	38,429	456
Supplies and Materials	41,500	1,677	43,177	41,296	1,881
Miscellaneous Expenditures	1,950	100	2,050	2,050	-
Total Business and Other Services	1,027,837	(126,265)	901,572	896,884	4,688
Unallocated Employee Benefits					
Social Security Contributions - Other	487,480	37,950	525,430	516,253	9,177
Other Retirement - Regular	17,500		17,500	16,891	609
Workmens Compensation	113,705	6,997	120,702	120,702	
Health Benefits	3,840,037	158,500	3,998,537	3,953,319	45,218
Tuition Reimbursements	65,000	2,697	67,697	66,875	822
Other Employee Benefits	78,500	31,700	110,200	110,108	92
Total Unallocated Employee Benefits	4,602,222	237,844	4,840,066	4,784,148	55,918
On Behalf TPAF Pension Contributions (Non-Budgeted)					
				994,850	(994,850)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
	-	-	-	1,628,761	(1,628,761)
Total TPAF Pension and Social Security Contributions	-	-	-	2,623,611	(2,623,611)
Total Undistributed Expenditures	19,594,609	3,104	19,597,713	21,860,294	(2,262,581)
Total Current Expenditures	39,287,588	68,004	39,355,592	41,590,231	(2,234,639)
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction					
Grades 9 - 12	3,099	(338)	2,761		2,761
School Sponsored/Other Instruct- Athletics	2,050	(1,897)	153		153
Undistributed Expenditures					
Instruction					
Support Services - Regular					
School Buses Special	81,000	(4,900)	76,100	76,058	42
Support Services - School Administration		3,600	3,600	3,591	9
Operation and Maintenance of Plant		20,459	20,459	20,458	1
Business and Other Services	5,000	8,950	13,950	13,911	39
Total Equipment	91,149	25,874	117,023	114,018	3,005

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CAPITAL OUTLAY (Continued)					
Facilities Acquisition and Constr. Services					
Construction Services		\$ 30,138	\$ 30,138	\$ 30,138	
Land and Improvements	-	2,650	2,650	2,650	-
Total Facilities Acquisition and Constr. Services	-	32,788	32,788	32,788	-
Total Expenditures - Capital Outlay	\$ 91,149	58,662	149,811	146,806	\$ 3,005
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	19,500	550	20,050	20,020	30
Total Summer School - Instruction	19,500	550	20,050	20,020	30
Summer School - Support Services					
Salaries	3,785	-	3,785	3,758	27
Total Summer School - Support Services	3,785	-	3,785	3,758	27
Total Expenditures - Special Schools	23,285	550	23,835	23,778	57
Total Expenditures - General Fund	39,402,022	127,216	39,529,238	41,760,815	(2,231,577)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(732,000)	(127,216)	(859,216)	(575,414)	(283,802)
Other Financing Sources (Uses)					
Transfers Out	(185,000)	-	(185,000)	(185,000)	-
Excess (Deficiency) of Revenues and Other Financing					
Sources Over/(Under) Expenditures and Other					
Financing Uses	(917,000)	(127,216)	(1,044,216)	(760,414)	(283,802)
Fund Balance, Beginning of Year	2,003,082	-	2,003,082	2,003,082	-
Fund Balance, End of Year	\$ 1,086,082	\$ (127,216)	\$ 958,866	\$ 1,242,668	\$ (283,802)

NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 440,739	\$ 35,407	\$ 476,146	\$ 407,587	\$ (68,559)
Federal	777,433	195,878	973,311	872,996	(100,315)
Local Sources					
Miscellaneous	-	1,500	1,500	1,500	-
Total Revenues	<u>\$ 1,218,172</u>	<u>\$ 232,785</u>	<u>\$ 1,450,957</u>	<u>\$ 1,282,083</u>	<u>\$ (168,874)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	687,581	(412,145)	275,436	262,700	12,736
Other Salaries for Instruction		30,805	30,805	26,782	4,023
Purchased Professional/Educational Services	154,306	8,064	162,370	132,067	30,303
Tuition		265,083	265,083	262,046	3,037
Other Purchased Services		7,680	7,680	3,600	4,080
General Supplies	33,120	11,144	44,264	24,442	19,822
Textbooks	35,149	(1,142)	34,007	33,733	274
Other Objects	-	868	868	868	-
Total Instruction	<u>910,156</u>	<u>(89,643)</u>	<u>820,513</u>	<u>746,238</u>	<u>74,275</u>
Support Services					
Salaries of Supervisors of Instruction		1,803	1,803	1,803	
Salaries of Other Professional Staff	79,068	(8,442)	70,626	67,376	3,250
Salaries of Secretarial and Clerical Asst.	27,657	(25,373)	2,284	2,284	
Other Salaries		94,917	94,917	86,388	8,529
Purchased Professional/Educational Services	59,805	104,183	163,988	143,760	20,228
Other Purchased Professional Services		400	400	399	1
Other Purchased Services	9,476	11,220	20,696	15,589	5,107
Supplies and Materials	127,210	29,091	156,301	119,209	37,092
Miscellaneous Expenditures	-	327	327	327	-
Total Support Services	<u>303,216</u>	<u>208,126</u>	<u>511,342</u>	<u>437,135</u>	<u>74,207</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Allocated Benefits					
Social Security		\$ 31,798	\$ 31,798	\$ 28,534	\$ 3,264
Personal Services - Employee Benefits	-	64,307	64,307	54,919	9,388
Total Allocated Benefits	-	96,105	96,105	83,453	12,652
Facilities Acquisition and Construction					
Buildings					
Instructional Equipment	\$ 4,800	18,197	22,997	15,257	7,740
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acq. & Construction	4,800	18,197	22,997	15,257	7,740
Total Expenditures	1,218,172	232,785	1,450,957	1,282,083	168,874
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibit C-2)	C-1 \$ 41,185,401	C-2 \$ 1,282,083
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Add: June 30, 2002 encumbrances (net of cancellations)		8,646
Less: June 30, 2003 encumbrances		(8,137)
State Aid payment recognized for budgetary purposes not recognized for GAAP statements	<u>(257,261)</u>	<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 B-2 \$ <u>40,928,140</u>	 B-2 \$ <u>1,282,592</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 41,760,815	C-2 \$ 1,282,083
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		
Add: June 30, 2002 encumbrances (net of cancellations)		8,646
Less: June 30, 2003 encumbrances	<u>-</u>	<u>(8,137)</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 B-2 \$ <u>41,760,815</u>	 \$ <u>1,282,592</u>

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SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Nonpublic Textbooks	N.J. Nonpublic Auxiliary			NJ Nonpublic Handicapped			Nonpublic Nursing
		Compensatory Education	ESL	Transportation	Supplemental Instruction	Examination/ Classification	Corrective Speech	
REVENUES								
State Sources	\$ 33,128	\$ 59,834	\$ 2,548	\$ 10,430	\$ 15,245	\$ 20,704	\$ 30,274	\$ 38,717
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 33,128	\$ 59,834	\$ 2,548	\$ 10,430	\$ 15,245	\$ 20,704	\$ 30,274	\$ 38,717
EXPENDITURES								
Instruction:								
Salaries of Teachers								
Other Salaries for Instruction								
Tuition								
Purchased Prof. and Technical Services		\$ 59,834	\$ 2,548		\$ 15,245		\$ 30,274	
Other Purchased Services								
General Supplies								
Textbooks	\$ 33,128	-	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	33,128	59,834	2,548	-	15,245	-	30,274	-
Support Services								
Salaries of Supervisors of Instruction								
Salaries of Other Professional Staff								
Salaries of Secr and Clerical Assistants								
Other Salaries								
Purchased Professional Educational Services						\$ 20,704		\$ 38,717
Purchased Professional Services								
Travel								
Other Purchased Services				\$ 10,430				
Supplies and Materials								
Tuition								
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	10,430	-	20,704	-	38,717
Personal Services - Employee Benefits								
Social Security Contributions								
Other Retirement								
Other Employee Benefits	-	-	-	-	-	-	-	-
Total Personnel Services - Employee Benefits	-	-	-	-	-	-	-	-
Facilities Acquisition and								
Construction Services								
Instructional Equipment								
Noninstructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-	-	-	-
Transfer to Charter School	-	-	-	-	-	-	-	-
Total Expenditures	\$ 33,128	\$ 59,834	\$ 2,548	\$ 10,430	\$ 15,245	\$ 20,704	\$ 30,274	\$ 38,717

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Character Education	Distance Learning Current year	Network Aid Carryover	NJ Technology Initiative	IDEA B Basic	IDEA B Preschool	Character Education Carryover	IDEA B Carryover
REVENUES								
State Sources	\$ 5,945	\$ 161,455	\$ 4,222	\$ 23,760	\$ 485,548	\$ 25,478	\$ 919	\$ 11,490
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 5,945	\$ 161,455	\$ 4,222	\$ 23,760	\$ 485,548	\$ 25,478	\$ 919	\$ 11,490
EXPENDITURES								
Instruction:								
Salaries of Teachers					\$ 13,380			
Other Salaries for Instruction					5,268	\$ 17,001		
Tuition					262,046			
Purchased Prof. and Technical Services				\$ 23,760				
Other Purchased Services	\$ 3,600						\$ 51	
General Supplies	42				11,252			
Textbooks							868	
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	3,642	-	-	23,760	291,946	17,001	919	-
Support Services								
Salaries of Supervisors of Instruction								
Salaries of Other Professional Staff		\$ 64,626			2,750			
Salaries of Sec and Clerical Assistants								
Other Salaries					74,772			
Purchased Professional Educational Services	2,303				70,546			\$ 11,490
Purchased Professional Services					399			
Travel								
Other Purchased Services								
Supplies and Materials		96,829						
Tuition								
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Support Services	2,303	161,455	-	-	148,467	-	-	11,490
Personal Services - Employee Benefits								
Social Security Contributions					7,357	1,300		
Other Retirement								
Other Employee Benefits	-	-	-	-	37,778	7,177	-	-
Total Personnel Services - Employee Benefits	-	-	-	-	45,135	8,477	-	-
Facilities Acquisition and Construction Services								
Instructional Equipment			\$ 4,222					
Noninstructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition	-	-	4,222	-	-	-	-	-
Transfer to Charter School	-	-	-	-	-	-	-	-
Total Expenditures	\$ 5,945	\$ 161,455	\$ 4,222	\$ 23,760	\$ 485,548	\$ 25,478	\$ 919	\$ 11,490

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Title III	Title I	Title I Carryover	Title V/VI	Title II	Title VI CSR Carryover	Title IV
REVENUES							
State Sources	\$ 4,851	\$ 210,544	\$ 1,320	\$ 16,666	\$ 77,071	\$ 3,275	\$ 14,457
Federal Sources							
Total Revenues	<u>\$ 4,851</u>	<u>\$ 210,544</u>	<u>\$ 1,320</u>	<u>\$ 16,666</u>	<u>\$ 77,071</u>	<u>\$ 3,275</u>	<u>\$ 14,457</u>
EXPENDITURES							
Instruction:							
Salaries of Teachers		\$ 183,941			\$ 65,379		
Other Salaries for Instruction					4,513		
Tuition							
Purchased Prof. and Technical Services							
Other Purchased Services							
General Supplies	\$ 1,772	490	\$ 118	\$ 2,096	379		
Textbooks	605						
Miscellaneous Expenses	-	-	-	-	-	-	-
Total Instruction	<u>2,377</u>	<u>184,431</u>	<u>118</u>	<u>2,096</u>	<u>70,271</u>	<u>-</u>	<u>-</u>
Support Services							
Salaries of Supervisors of Instruction		1,803					
Salaries of Other Professional Staff							
Salaries of Secr and Clerical Assistants		2,284					
Other Salaries							\$ 11,616
Purchased Professional Educational Services							
Purchased Professional Services							
Travel							
Other Purchased Services	285					\$ 3,275	
Supplies and Materials	2,189		1,202	14,570			1,499
Tuition		327	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-	-
Total Support Services	<u>2,474</u>	<u>4,414</u>	<u>1,202</u>	<u>14,570</u>	<u>-</u>	<u>3,275</u>	<u>13,115</u>
Personal Services - Employee Benefits							
Social Security Contributions		14,380			4,608		889
Other Retirement		7,319			2,192		453
Other Employee Benefits	-	-	-	-	-	-	-
Total Personnel Services - Employee Benefits	<u>-</u>	<u>21,699</u>	<u>-</u>	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>1,342</u>
Facilities Acquisition and Construction Services							
Instructional Equipment							
Noninstructional Equipment	-	-	-	-	-	-	-
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Charter School	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 4,851</u>	<u>\$ 210,544</u>	<u>\$ 1,320</u>	<u>\$ 16,666</u>	<u>\$ 77,071</u>	<u>\$ 3,275</u>	<u>\$ 14,457</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Dodge</u>	<u>Home Instruction</u>	<u>Perkins Vocational Education</u>	<u>Total June 30, 2003</u>
REVENUES				
Other	\$ 1,500			\$ 1,500
State Sources		\$ 406		407,587
Federal Sources	-	-	\$ 22,296	872,996
Total Revenues	<u>\$ 1,500</u>	<u>\$ 406</u>	<u>\$ 22,296</u>	<u>\$ 1,282,083</u>
EXPENDITURES				
Instruction:				
Salaries of Teachers				\$ 262,700
Other Salaries for Instruction				26,782
Tuition				262,046
Purchased Prof. and Technical Services		\$ 406		132,067
Other Purchased Services				3,600
General Supplies			\$ 8,242	24,442
Textbooks				33,733
Miscellaneous Expenses	-	-	-	868
Total Instruction	<u>-</u>	<u>406</u>	<u>8,242</u>	<u>746,238</u>
Support Services				
Salaries of Supervisors of Instruction				1,803
Salaries of Other Professional Staff				67,376
Salaries of Sec. and Clerical Assistants				2,284
Other Salaries				86,388
Purchased Professional Educational Services				143,760
Purchased Professional Services				399
Travel				
Other Purchased Services			1,600	15,590
Supplies and Materials	\$ 1,500		1,419	119,208
Tuition	-	-	-	327
Miscellaneous Expenses	-	-	-	
Total Support Services	<u>1,500</u>	<u>-</u>	<u>3,019</u>	<u>437,135</u>
Personal Services - Employee Benefits				
Social Security Contributions				9,964
Other Retirement				44,955
Other Employee Benefits	-	-	-	
Total Personnel Services - Employee Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,453</u>
Facilities Acquisition and Construction Services				
Instructional Equipment			11,035	15,257
Noninstructional Equipment	-	-	-	-
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>11,035</u>	<u>15,257</u>
Transfer to Charter School	-	-	-	-
Total Expenditures	<u>\$ 1,500</u>	<u>\$ 406</u>	<u>\$ 22,296</u>	<u>\$ 1,282,083</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF DEMONSTRABLY EFFECTIVE PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOT APPLICABLE

**SCHEDULE OF EARLY CHILDHOOD PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOT APPLICABLE

**SCHEDULE OF INSTRUCTIONAL SUPPLEMENT AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOT APPLICABLE

NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF DISTANCE LEARNING NETWORK AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Support Services			
Salaries of Other Professional Staff	\$ 64,626	\$ 64,626	
Supplies and Materials	<u>112,979</u>	<u>96,829</u>	<u>\$ 16,150</u>
Total Support	<u>177,605</u>	<u>161,455</u>	<u>16,150</u>
Facilities Acquisition and Construction			
Instructional Equipment	<u>11,927</u>	<u>4,222</u>	<u>7,705</u>
Total Facilities Acquisition & Construction	<u>11,927</u>	<u>4,222</u>	<u>7,705</u>
Total	<u>\$ 189,532</u>	<u>\$ 165,677</u>	<u>\$ 23,855</u>
Total 2002-2003 Distance Learning Network Aid Allocation			\$ 182,003
Add: Actual Distance Learning Network Aid Carryover (June 30, 2002)			<u>7,529</u>
Total Distance Learning Network Aid Available for 2002/2003 Budget			189,532
Less: 2002-2003 Budgeted Distance Learning Network Aid (Including Prior Year Budgeted Carryover)			<u>189,532</u>
Available & Unbudgeted Distance Learning Network Aid Funds as of June 30, 2003			-
Add: June 30, 2003 Unexpended Distance Learning Network Aid			<u>23,855</u>
2003-2004 Actual Carryover - Distance Learning Network Aid			<u>\$ 23,855</u>
2002-2003 Distance Learning Network Aid Carryover Budgeted in 2003-2004			<u>\$ -</u>

CAPITAL PROJECTS FUND

**NUTLEY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Project Description</u>	<u>Expenditures</u>		<u>Balance</u>
	<u>Appropriatio</u>	<u>to Date</u>	
	<u>Prior Years</u>	<u>Current Year</u>	<u>June 30, 2003</u>
Renovations at Nutley High School , including acquisition and installation of furnishings, equipment, and a district wide telephone intercom system and site work	<u>\$ 4,872,673</u>	<u>\$ -</u>	<u>\$ 117,921</u>
			<u>\$ 4,754,752</u>
Project Balances, June 30, 2003			\$ 4,754,752
Less: Debt Authorized But Not Issued			<u>(4,872,673)</u>
Fund Balance, June 30, 2003			<u>\$ (117,921)</u>

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PROPRIETARY FUND

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

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FIDUCIARY FUNDS

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 163,595	-	\$ 163,595
Total Assets	<u>\$ 163,595</u>	<u>\$ -</u>	<u>\$ 163,595</u>
LIABILITIES			
Due to Student Groups	\$ 163,595	-	\$ 163,595
Total Liabilities	<u>\$ 163,595</u>	<u>\$ -</u>	<u>\$ 163,595</u>

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOT APPLICABLE

**NUTLEY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Balance</u> <u>July 1, 2002</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2003</u>
ELEMENTARY SCHOOLS				
Lincoln	\$ 1,727	\$ 18,485	\$ 16,325	\$ 3,887
Radcliffe	3,367	3,895	5,502	1,760
Spring Garden	6,026	16,203	13,884	8,345
Washington	1,621	5,581	5,776	1,426
Yantacaw	2,800	8,077	7,674	3,203
	<u>15,541</u>	<u>52,241</u>	<u>49,161</u>	<u>18,621</u>
MIDDLE SCHOOL				
Franklin	<u>7,684</u>	<u>73,792</u>	<u>69,192</u>	<u>12,284</u>
HIGH SCHOOL				
Nutley High School	<u>136,766</u>	<u>239,742</u>	<u>243,818</u>	<u>132,690</u>
TOTAL ALL SCHOOLS	<u>\$ 159,991</u>	<u>\$ 365,775</u>	<u>\$ 362,171</u>	<u>\$ 163,595</u>

NUTLEY BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balance, July 1, <u>2002</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2003</u>
Accrued Salaries and Wages, Payroll Deductions and Withholdings	-	\$ 29,282,359	\$ 29,282,359	-
Total	\$ -	\$ 29,282,359	\$ 29,282,359	\$ -

LONG-TERM DEBT

**NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Annual Date</u>	<u>Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2002</u>	<u>Paid</u>	<u>Balance June 30, 2003</u>
Asbestos Abatement Activities at Various Schools; Removal of Fuel Oil Storage Tanks at Various Schools; Modifications to Heating Plants at Various Schools; Re- placement of Roof Above the Auditorium and Main Gymnasium of the High School.	9/1/1992	\$ 1,700,000	9/1/03-07	\$ 110,000	Various	\$ 665,000	\$ 115,000	\$ 550,000
						<u>\$ 665,000</u>	<u>\$ 115,000</u>	<u>\$ 550,000</u>

**NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOT APPLICABLE

NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<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	\$ 138,463		\$ 138,463	\$ 138,463	-
State Sources					
Debt Service Aid Type II	14,878	-	14,878	14,878	-
	<u>153,341</u>	<u>-</u>	<u>153,341</u>	<u>153,341</u>	<u>-</u>
Total Revenues	<u>153,341</u>	<u>-</u>	<u>153,341</u>	<u>153,341</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest	38,341		38,341	38,341	-
Principal	115,000	-	115,000	115,000	-
	<u>153,341</u>	<u>-</u>	<u>153,341</u>	<u>153,341</u>	<u>-</u>
Total Expenditures	<u>153,341</u>	<u>-</u>	<u>153,341</u>	<u>153,341</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	-				
Fund Balance, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

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STATISTICAL SECTION

(UNAUDITED)

NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION *
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
GENERAL FUND										
Instruction										
Regular	\$ 16,310,889	\$ 15,898,953	\$ 15,248,480	\$ 14,772,041	\$ 14,230,398	\$ 13,814,801	\$ 13,592,391	\$ 12,963,067	\$ 12,125,961	\$ 11,670,011
Special	1,946,093	1,690,485	1,603,905	1,430,104	1,277,811	1,296,002	1,851,178	1,802,120	1,697,318	1,598,287
Other	532,749	559,941	547,553	486,379	493,012	453,869	112,070	54,633	51,289	53,144
School-Sponsored/Other Instructional	935,177	903,984	831,119	772,882	639,175	587,532	456,091	453,782	455,269	422,589
Total Instruction	<u>19,724,908</u>	<u>19,053,363</u>	<u>18,231,057</u>	<u>17,461,406</u>	<u>16,640,396</u>	<u>16,152,204</u>	<u>16,011,730</u>	<u>15,273,602</u>	<u>14,329,837</u>	<u>13,744,031</u>
Community Services	<u>5,029</u>	<u>1,973</u>	<u>3,267</u>	<u>2,976</u>	<u>2,327</u>	<u>1,668</u>	<u>1,764</u>	<u>1,333</u>	<u>2,170</u>	<u>2,877</u>
Undistributed										
Instruction - Tuition	1,970,390	2,186,703	1,793,006	1,711,466	1,663,639	1,615,882	1,474,291	1,327,378	1,402,885	1,181,930
Support Services-Students	2,583,485	2,312,343	2,163,989	2,197,279	2,119,607	1,973,607	1,720,483	1,570,030	1,479,401	1,350,650
Support Services-Instructional Staff	1,044,790	1,033,906	949,535	1,041,273	1,023,532	963,975	1,001,010	969,716	915,498	842,299
General Administration	849,517	873,725	780,232	784,542	708,391	750,705	709,214	718,448	808,834	739,990
School Administration	2,144,543	2,093,276	2,008,544	2,020,055	1,963,728	1,863,816	1,871,243	1,995,671	1,909,687	1,982,205
Operations and Maintenance	3,830,721	3,286,128	3,388,130	3,268,968	3,142,134	3,118,757	3,032,535	2,962,513	2,728,687	2,650,424
School Transportation	1,132,205	1,158,939	994,092	980,350	990,996	807,890	838,446	772,703	713,220	613,206
Business and Other Support Services										
Salaries and Employee Benefits	5,565,197	4,869,070	4,357,353	4,009,716	3,792,480	3,519,052	3,860,057	3,795,224	3,605,136	3,578,642
Other	115,835	328,093	182,827	113,252	94,874	70,917	149,756	62,528	240,183	236,351
On-Behalf TPAF Pension Contributions	994,850		561,141	423,528	1,188,398	409,721	537,168	154,463	N/A	N/A
On-Behalf TPAF Social Security Contributions	1,628,761	1,546,545	1,453,942	1,397,601	1,332,455	1,265,767	1,241,810	1,201,391	N/A	N/A
Total Undistributed	<u>21,860,294</u>	<u>19,688,728</u>	<u>18,632,791</u>	<u>17,948,030</u>	<u>18,020,234</u>	<u>16,360,089</u>	<u>16,436,013</u>	<u>15,530,065</u>	<u>13,803,531</u>	<u>13,175,697</u>
Capital Outlay										
Equipment	114,018	135,425	183,611	158,865	266,716	213,670	226,189	231,131	179,172	188,127
Facilities	32,788	19,273	280,131	246,771	250,868	341,819	93,123	146,667	148,207	194,851
Total Capital Outlay	<u>146,806</u>	<u>154,698</u>	<u>463,742</u>	<u>405,636</u>	<u>517,584</u>	<u>555,489</u>	<u>319,312</u>	<u>377,798</u>	<u>327,379</u>	<u>382,978</u>
Special Schools	<u>23,778</u>	<u>21,586</u>	<u>22,036</u>	<u>23,986</u>	<u>23,776</u>	<u>19,110</u>	<u>23,696</u>	<u>24,643</u>	<u>25,184</u>	<u>24,896</u>
Transfer of Funds to Charter School	<u>-</u>	<u>5,016</u>	<u>-</u>	<u>6,594</u>	<u>11,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund Expenditures	<u>41,760,815</u>	<u>38,925,364</u>	<u>37,352,893</u>	<u>35,848,628</u>	<u>35,215,877</u>	<u>33,088,560</u>	<u>32,792,515</u>	<u>31,207,441</u>	<u>28,488,101</u>	<u>27,330,479</u>
SPECIAL REVENUE FUND										
Local	1,500									
State	409,018	451,164	413,686	364,349	338,080	353,227	218,560	203,393	172,464	169,936
Federal	872,074	880,080	698,858	650,934	535,880	454,874	438,279	489,842	430,125	508,611
Total Special Revenue Expenditures	<u>1,282,592</u>	<u>1,331,244</u>	<u>1,112,544</u>	<u>1,015,283</u>	<u>873,960</u>	<u>808,101</u>	<u>656,839</u>	<u>693,235</u>	<u>602,589</u>	<u>678,547</u>
DEBT SERVICE FUND	<u>153,341</u>	<u>159,896</u>	<u>166,307</u>	<u>172,546</u>	<u>178,555</u>	<u>184,305</u>	<u>189,825</u>	<u>208,403</u>	<u>277,676</u>	<u>285,985</u>
Total Governmental Fund Expenditures	<u>\$ 43,196,748</u>	<u>\$ 40,416,504</u>	<u>\$ 38,631,744</u>	<u>\$ 37,036,457</u>	<u>\$ 36,268,392</u>	<u>\$ 34,080,966</u>	<u>\$ 33,639,179</u>	<u>\$ 32,109,079</u>	<u>\$ 29,368,366</u>	<u>\$ 28,295,011</u>

Source: School District's Financial Statements

* Includes General, Special Revenue and Debt Service Funds

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST THREE FISCAL YEARS**

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX**

		<u>2003</u>	<u>2002</u>	<u>2001</u>
School Facilities	Project #(s)			
Nutley High School	N/A	\$ 205,791	\$ 189,012	\$ 208,586
Franklin Middle School	N/A	95,956	90,455	99,823
Lincoln Elementary School	N/A	61,793	55,359	61,092
Radcliffe Elementary School	N/A	40,903	44,540	49,152
Spring Garden Elementary School	N/A	37,953	45,375	50,074
Washington Elementary School	N/A	52,187	49,367	54,479
Yantacaw Elementary School	N/A	<u>44,765</u>	<u>48,974</u>	<u>54,045</u>
Total School Facilities		539,348	523,082	577,251
Other Facilities		<u>-</u>	<u>-</u>	<u>-</u>
Grand Total		<u>\$ 539,348</u>	<u>\$ 523,082</u>	<u>\$ 577,251</u>

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUND REVENUES BY SOURCE *
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Local Tax Levy</u>	<u>Other Local Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Total</u>
2003	\$32,938,598	\$ 215,455	\$8,337,946	\$ 872,074	\$ 42,364,073
2002	31,225,682	510,438	7,355,360	880,080	39,971,560
2001	29,734,685	951,355	7,591,703	698,858	38,976,601
2000	28,757,853	729,287	6,762,774	650,934	36,900,848
1999	29,674,739	641,584	5,501,303	535,880	36,353,506
1998	28,810,776	666,649	4,437,891	486,474	34,366,976
1997	28,518,923	592,390	4,253,521	415,789	33,780,623
1996	27,085,852	655,089	4,072,236	477,961	32,291,138
1995	26,298,483	1,159,178	2,233,235	408,424	30,099,320
1994	24,349,117	502,288	3,251,627	508,611	28,611,643

*Includes on-behalf payments by the State of New Jersey for TPAF Pension and Social Security Contributions

Source: School District's Financial Statements

* Includes General, Special Revenue and Debt Service Funds

**NUTLEY BOARD OF EDUCATION
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Year Collections</u>	<u>Percent of Tax Levy Collected</u>	
2002	\$ 66,212,625	\$ 64,955,637	98.10	%
2001	63,126,686	61,585,785	97.55	
2000	62,018,501	59,357,454	95.70	
1999	60,368,412	58,704,526	97.24	
1998	59,884,383	57,952,295	96.77	
1997	57,978,726	56,385,078	97.25	
1996	55,795,710	54,252,100	97.23	
1995	54,811,414	53,332,177	97.30	
1994	52,120,586	50,667,611	97.21	
1993	48,705,762	47,355,718	97.23	

Source: Municipality's Financial Statements

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

Year Ended June 30,	Net Assessed Valuations	Estimated Full Cash Valuations	Percentage of Net Assessed to Estimated Full Cash Valuations
2003	\$ 511,481,100	\$ 2,411,509,194	21.21%
2002	507,765,100	2,118,335,836	23.97
2001	497,198,500	2,019,155,469	24.62
2000	491,427,200	1,933,991,342	25.41
1999	490,889,000	1,728,645,229	28.39
1998	493,042,100	1,723,923,427	28.60
1997	488,108,600	1,787,943,590	27.30
1996	490,409,200	1,747,093,694	28.07
1995	494,788,200	1,761,438,946	28.09
1994	495,441,140	1,769,247,947	28.00

Source: Tax Assessor

**NUTLEY BOARD OF EDUCATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Assessment Year</u>	<u>School District</u>	<u>Township</u>	<u>County</u>	<u>County Open Space</u>	<u>Total</u>
2003	\$6.67	\$4.30	\$2.73	\$.05	\$13.75
2002	6.31	4.01	2.59	.04	12.95
2001	6.13	3.76	2.61	.04	12.54
2000	5.96	3.66	2.83	.04	12.49
1999	5.95	3.66	2.62	.04	12.27
1998	5.93	3.58	2.63		12.14
1997	5.87	3.21	2.69		11.77
1996	5.67	3.02	2.67		11.36
1995	5.40	3.05	2.62		11.07
1994	5.11	2.93	2.53		10.57

Source: Township of Nutley, Tax Collector

**NUTLEY BOARD OF EDUCATION
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Net Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2003	27,362	\$ 511,481,100	\$ 550,000	0.11%	20.10%
2002	27,362	507,765,100	665,000	0.13%	24.30%
2001	27,362	497,198,500	780,000	0.16%	28.51%
2000	27,362	491,427,200	895,000	0.18%	32.71%
1999	25,764	490,889,000	1,010,000	0.21%	39.20%
1998	25,867	493,042,100	1,125,000	0.23%	43.49%
1997	25,800	488,108,600	1,240,000	0.23%	48.06%
1996	25,970	490,409,200	1,355,000	0.28%	52.18%
1995	26,093	494,788,200	1,558,000	0.31%	59.71%
1994	26,370	495,441,140	1,673,000	0.34%	63.44%

Source: School District Population- U.S. Bureau of the Census
Assessed Valuations- Tax Assessor

**NUTLEY BOARD OF EDUCATION
COMPUTATION OF LEGAL DEBT MARGIN
AS OF JUNE 30, 2003
(Unaudited)**

<u>Year</u>	<u>Equalized Valuation Basis</u>
2002	\$2,393,989,156
2001	2,069,049,228
2000	<u>1,976,156,792</u>
Average equalized valuation of taxable property	<u>\$2,146,398,392</u>
School borrowing margin (4% of \$2,146,398,392)	\$ 85,855,936
Net school debt as of June 30, 2003	<u>5,422,673</u>
School Borrowing Margin Available	<u>\$ 80,433,263</u>

Source: Township's 2002 Annual Debt Statement

**NUTLEY BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2003
(Unaudited)**

Net Direct Debt of School District as of June 30, 2003		\$ 5,422,673
Net Overlapping Debt of School District		
Township of Nutley	\$ 12,751,106	
Essex County	16,994,803	
Essex County Utilities Authority (A)	5,034,770	
North Jersey District Water Supply Commission (B)	<u>5,573,332</u>	
		<u>40,354,011</u>
Total Direct and Overlapping Bond Debt as of June 30, 2003		<u>\$ 45,776,684</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2003 equalized value by the total 2003 equalized value for Essex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Township of Nutley 2002 Annual Debt Statement
- (2) Essex County 2002 Annual Debt Statement
- (3) Essex County Utilities Authority
- (4) North Jersey District Water Supply Commission

**NUTLEY BOARD OF EDUCATION
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GOVERNMENTAL FUND EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Fund Expenditures*</u>	<u>Ratio of Debt Service to Governmental Expenditures</u>	
2003	\$ 115,000	\$ 38,341	\$ 153,341	\$ 43,196,748	.35	%
2002	115,000	44,896	159,896	40,416,504	.40	
2001	115,000	51,307	166,307	38,631,744	.43	
2000	115,000	57,546	172,546	37,036,457	.47	
1999	115,000	63,555	178,555	36,268,392	.49	
1998	115,000	69,305	184,305	34,080,666	.54	
1997	115,000	74,825	189,825	33,703,212	.56	
1996	128,000	80,403	208,403	32,109,079	.65	
1995	190,000	87,676	277,676	29,368,366	.95	
1994	190,000	95,985	285,985	28,466,966	1.00	

*Excludes the Capital Projects Fund as these expenditures vary substantially from year to year. The financial data presented would not be as meaningful for comparative purposes if these were included.

Source: School District Financial Statements

**NUTLEY BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income**</u>	<u>Population***</u>
2002	4.2	*	27,362
2001	3.1	37,134	27,362
2000	2.7	35,919	27,362
1999	3.3	32,956	25,764
1998	3.2	32,172	25,867
1997	6.5	30,464	25,800
1996	4.5	29,572	25,970
1995	4.4	28,474	26,093
1994	4.7	27,180	26,370
1993	5.2	26,487	26,626

* Accurate information not available.

** This information represents Essex County information not Township of Nutley.

*** Estimates as per U.S. Bureau of the Census , Census 2002

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF PRINCIPAL TAXPAYERS
(Unaudited)**

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>
Hoffman - LaRoche, Inc	\$ 68,095,400	13.31%
432 Owners Inc.	3,048,200	0.60%
Village Manor Apts.	2,430,000	0.48%
Nutley Shop-Rite	2,418,700	0.47%
Nutley Properties	1,960,000	0.38%
Verizon	1,941,927	0.38%
Arla Associates	973,700	0.19%
Reckson Operating Partners	870,000	0.17%
River Road Association	851,000	0.17%
NSP Management Co.	833,800	0.16%
	<u>\$ 83,422,727</u>	<u>16.31%</u>

Source: Tax Collector

**NUTLEY BOARD OF EDUCATION
ATTENDANCE DATA
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>% Change in Average Daily Enrollment</u>	<u>Attendance %</u>
2003	4,204	3,981	1.0	94.70
2002	4,112	3,908	2.0	95.03
2001	4,032	3,826	0.9	94.89
2000	3,996	3,797	1.5	95.00
1999	3,936	3,741	0.5	95.05
1998	3,914	3,713	3.1	95.00
1997	3,811	3,603	1.3	94.89
1996	3,748	3,554	2.2	94.80
1995	3,663	3,478	3.1	94.90
1994	3,559	3,372	2.5	94.85

Source: School District records

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2003
(Unaudited)**

	<u>Insurance Company</u>	<u>Coverage</u>	<u>Deductible</u>
All Real and Personal Property and Theft of Contents	Suburban Essex JIF	\$ 25,000	\$ 500
	School Pool for Excess Liability Limits JIF	75,000	25,000
	Selective Insurance	149,900,000	100,000
Money and Security Loss	Suburban Essex JIF	25,000	500
	School Pool for Excess Liability Limits JIF	75,000	25,000
	Selective Insurance	250,000	100,000
General Liability (BI and PD)	Suburban Essex JIF	100,000	N/A
	School Pool for Excess Liability Limits JIF	50,000	100,000
Automobile Liability	Suburban Essex JIF	100,000	N/A
	School Pool for Excess Liability Limits JIF	50,000	100,000
Excess School Liability (GL and AL)	Selective Insurance Co.	9,850,000	150,000
School Board Legal Liability	Suburban Essex JIF	10,000	N/A
	School Pool for Excess Liability Limits JIF	90,000	10,000
	Selective Insurance Co.	10,000,000	100,000
Athletic Accident Insurance	People's Benefit Life	10,000,000	N/A
Interscholastic Sports Disability	People's Benefit Life	550,000	N/A
Worker's Compensation	Suburban Essex JIF	100,000	N/A
	School Pool for Excess Liability Limits JIF	150,000	100,000
	Selective Reinsurance Corp	Statutory Cov A	250,000
		9,750,000 Cov B	250,000
Public Official Bonds			
Dave Wilson	Selective	255,000	N/A
James Mallen	Western Surety Company	3,000	N/A

Source: School District's records

**NUTLEY BOARD OF EDUCATION
MISCELLANEOUS STATISTICS
AS OF JUNE 30, 2003
(Unaudited)**

Date established

Area 3 square miles

Number of Schools

Elementary 5

Middle School 1

Senior High School 1

Total schools 7

Employees

Certified 367

Other 200

Total employees 567

Teacher/Student Ratio

Kindergarten 1:19

1-5 1:15

6-8 1:15

9-12 1:15

Special Education 1:05

Student Count 4,210

Source: School District's records

NUTLEY BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE*
LAST TWO FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30		<u>Interest</u>		<u>Tuition</u>		<u>Transportation</u>		<u>Rentals</u>		<u>Admissions</u>		<u>Miscellaneous</u>		<u>Total</u>
2003	\$	38,461	\$	30,356	\$	75,146	\$	13,229	\$	13,410	\$	43,353	\$	213,955
2002		87,745		95,572		63,571		43,430		15,082		205,038		510,438

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
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ANDREW PARENTE, CPA, PSA
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ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA

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

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

We have audited the financial statements of the Nutley Board of Education as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated October 6, 2003. 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 Division of Finance, Department of Education, State of New Jersey.

Compliance

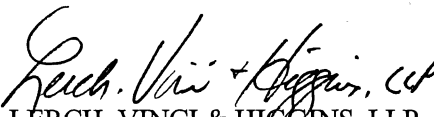
As part of obtaining reasonable assurance about whether the Nutley Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material 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 that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Nutley Board of Education in a separate "Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance" dated October 6, 2003.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nutley Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal control over financial reporting that we have reported to management of the Nutley Board of Education in a separate "Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance" dated October 6, 2003.

This report is intended solely for the information and use of the Board of Trustees, school administration, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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


 Gary P. Vinci
 Public School Accountant
 PSA Number CS00829

Fair Lawn, New Jersey
 October 6, 2003

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 98-07

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

Compliance

We have audited the compliance of the Nutley Board of Education with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "New Jersey State Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2003. Nutley Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Nutley Board of Education's management. Our responsibility is to express an opinion on Nutley Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 98-07, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Nutley Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nutley Board of Education's compliance with those requirements.

In our opinion, Nutley Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2003. However, the results of our auditing procedures disclosed immaterial instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 98-07 and which are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.


Internal Control Over Compliance

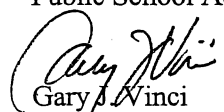
The management of Nutley Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Nutley Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB 98-07.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Nutley Board of Education's ability to administer a major federal or state program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions identified above are material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, school administration, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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


 Gary Vinci
 Public School Accountant
 PSA Number CS00829

Fair Lawn, New Jersey
 October 6, 2003

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2002	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance June 30, 2003			
										(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education													
Passed Through State Department of Education													
Special Revenue Fund:													
Title I	84.010	9/1/02-8/31/03	\$ 230,160			\$ 230,160	\$ 210,544				\$ 19,616		
Title I	84.010	9/1/01-8/31/02	195,833	\$ 118	\$ (118)								
Title I, Carryover	84.010	9/1/01-8/31/02	195,833		118		118						
Title I, Carryover	84.010	9/1/00-8/31/01	176,613	1,202			1,202						
Title III	84.365	9/1/02-8/31/03	12,176			12,176	4,851				7,325		
Title V	84.298	9/1/02-8/31/03	19,515			19,515	16,666				2,849		
Title VI	84.151	9/1/01-8/31/02	20,074	125				\$ 125					
Title VI - Class Size Reduction	84.340	9/1/01-8/31/02	59,552	5,421	(5,421)								
Title VI - Class Size Reduction, Carryover	84.340	9/1/01-8/31/02	59,552		5,421		3,275				2,146		
Title VI - Class Size Reduction, Carryover	84.340	9/1/00-8/31/01	52,082	1,108				1,108					
IDEA Part B	84.027	9/1/02-8/31/03	519,276			519,276	485,548				33,728		
IDEA Part B	84.027	9/1/01-8/31/02	470,504	11,490	(11,490)								
IDEA Part B, Carryover	84.027	9/1/01-8/31/02	470,504		11,490		11,490						
IDEA Part B Preschool	84.027	9/1/02-8/31/03	26,085			26,085	25,478				607		
IDEA Part B Preschool	84.027	9/1/01-8/31/02	27,657	2,057	(2,057)								
IDEA Part B Preschool, Carryover	84.027	9/1/01-8/31/02	27,657		2,057				\$ 92		2,149		
Carl D. Perkins- Secondary	84.048	7/1/02-6/30/03	22,296			22,296	22,296						
Carl D. Perkins- Secondary	84.048	7/1/01-6/30/02	18,891	35				35					
Title IV (Drug Education)	84.188	9/1/02-8/31/03	16,092			16,092	14,457				1,635		
Title IV (Drug Education)	84.188	9/1/01-8/31/02	17,463	22				22					
Title IV (Drug Education), Carryover	84.188	9/1/00-8/31/01	16,973	21				21					
Title II	84.367	9/1/02-8/31/03	100,826			100,826	77,071				23,755		
Title II D		9/1/02-8/31/03	6,561			6,561					6,561		
Title II (Ike/Math)	84.168	9/1/01-8/31/02	16,742	70				70					
Title II (Ike/Math), Carryover	84.168	9/1/01-8/31/02	16,742										
Title II Carryover	84.168	9/1/00-8/31/01	12,889	8				8					
School To Career	N/A	N/A	805	258							258		
Technology Literacy Challenge	84.318	4/1/99-3/31/00	95,000	(441)	-	-	-	-	-	\$ (441)	-	-	
Total Special Revenue Fund				21,494	-	952,987	872,996	1,389	92	(441)	100,629	-	
U.S.D.A. Department of Agriculture													
Passed Through State Department of Education													
Enterprise Fund:													
Food Distribution Program	10.550	7/1/02-6/30/03	15,157			15,157	10,508				4,649		
Food Distribution Program	10.550	7/1/01-6/30/02	19,417	4,647			4,647						
National School Lunch Program	10.555	7/1/02-6/30/03	62,361			51,059	62,361			(11,302)			
National School Lunch Program	10.555	7/1/01-6/30/02	64,423	(11,211)	-	11,211	-	-	-	-	-	-	
Total Enterprise Fund				(6,564)	-	77,427	77,516	-	-	(11,302)	4,649	-	
Total Federal Financial Awards				\$ 14,930	-	\$ 1,030,414	\$ 950,512	\$ 1,389	\$ 92	\$ (11,743)	\$ 105,278		

(A)- Encumbrances Cancelled

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

										Balance June 30, 2003		
<u>State Department of Education</u>	<u>Grant or State Project Number</u>	<u>Grant</u>	<u>Award Amount</u>	<u>Balance June 30, 2002</u>	<u>Carryover Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Repayment of Prior Year Balances</u>	<u>Adjustments</u>	<u>(Accts. Receivable)</u>	<u>Deferred Revenue</u>	<u>Due to Grantor</u>
<u>General Fund:</u>												
Core Curriculum Aid	03-495-034-5120-022	7/1/02-6/30/03	\$2,799,975			\$ 2,668,776	\$ 2,799,975			\$ (131,199)		
Transportation Aid	03-495-034-5120-024	7/1/02-6/30/03	345,006			328,840	345,006			(16,166)		
Special Education Aid	03-495-034-5120-011	7/1/02-6/30/03	2,235,481			2,130,733	2,235,481			(104,748)		
Bilingual Education	03-495-034-5120-008	7/1/02-6/30/03	65,426			62,360	65,426			(3,066)		
Academic Achievement Award	02-100-034-5120-344	7/1/02-6/30/03	44,426			42,344	44,426			(2,082)		
Extraordinary Aid	03-495-034-5120-044	7/1/02-6/30/03	57,386				57,386			(57,386)		
Extraordinary Aid	02-495-034-5120-044	7/1/01-6/30/02	36,433	\$ (36,433)		36,433						
TPAF Pension Contribution	03-495-034-5095-056	7/1/02-6/30/03	994,850			994,850	994,850					
TPAF Social Security Contribution	03-495-034-5095-002	7/1/02-6/30/03	1,628,761			1,628,761	1,628,761					
TPAF Social Security Contribution	02-495-034-5095-002	7/1/01-6/30/02	1,546,545	(78,975)	-	78,975	-	-	-	-	-	-
Total General Fund				(115,408)	-	7,972,072	8,171,311	-	-	(314,647)	-	-
<u>Special Revenue Fund:</u>												
New Jersey Nonpublic Aid:												
Textbooks	03-100-034-5120-064	7/1/02-6/30/03	33,347			33,347	33,128					\$ 219
Textbooks	02-100-034-5120-064	7/1/01-6/30/02	35,149	659				\$ 720	\$ 61			
Auxiliary Services												
Compensatory Education	03-100-034-5120-067	7/1/02-6/30/03	80,025			80,025	59,834					20,191
Compensatory Education	02-100-034-5120-067	7/1/01-6/30/02	64,345	4,733				4,733				
Compensatory Education	00-100-034-5120-067	7/1/99-6/30/00	90,611	(340)						(340)		
English as a Second Language	03-100-034-5120-067	7/1/02-6/30/03	2,548			2,548	2,548					
English as a Second Language	02-100-034-5120-067	7/1/01-6/30/02	6,370	2,930				2,930				
Transportation	03-100-034-5120-067	7/1/02-6/30/03	10,430			10,430	10,430					
Home Instruction	03-100-034-5120-067	7/1/02-6/30/03	406				406			(406)		
Handicapped Services												
Supplemental Instruction	03-100-034-5120-066	7/1/02-6/30/03	19,094			19,094	15,245					3,849
Examination and Classification	03-100-034-5120-066	7/1/02-6/30/03	29,403			29,403	20,704					8,699
Examination and Classification	02-100-034-5120-066	7/1/01-6/30/02	40,192	8,867				8,867				
Corrective Speech	03-100-034-5120-066	7/1/02-6/30/03	36,943			36,943	30,274					6,669
Corrective Speech	02-100-034-5120-066	7/1/01-6/30/02	44,872	12,526				12,526				
Nonpublic Nursing	03-100-034-5120-070	7/1/02-6/30/03	38,717			38,717	38,717					
Nonpublic Technology Initiative	03-100-034-5120-373	7/1/02-6/30/03	23,760			23,760	23,760					
Nonpublic Technology Initiative	00-100-034-5120-373	7/1/99-6/30/00	27,000	(354)						(354)		
Character Education	02-100-034-5120-053	7/1/02-6/30/03	11,427			11,427	5,945			\$ 5,482		
Character Education	02-100-034-5120-053	7/1/01-6/30/02	11,346	920			919			1		
I.D.E.A.S.	N/A	7/1/01-6/30/02	4,000						115			115
Distance Learning Network	03-100-034-5120-348	7/1/02-6/30/03	182,003			172,903	161,455			(9,100)	20,548	
Distance Learning Network	02-100-034-5120-348	7/1/01-6/30/02	182,003	7,529	-	-	4,222	-	1	-	3,308	-
Total Special Revenue Fund				37,470	-	458,597	407,587	29,776	177	(10,200)	29,339	39,742
<u>Debt Service Fund:</u>												
Debt Service Aid Type II	03-495-034-5120-017	7/1/02-6/30/03	14,878	-	-	14,878	14,878	-	-	-	-	-
<u>State Department of Agriculture</u>												
<u>Enterprise Fund:</u>												
National School Lunch Program	03-100-034-5120-122	7/1/02-6/30/03	6,184			5,106	6,184			(1,078)		
National School Lunch Program	02-100-034-5120-122	7/1/01-6/30/02	6,695	(1,149)	-	1,149	-	-	-	-	-	-
				(1,149)	-	6,255	6,184	-	-	(1,078)	-	-
Total State Financial Assistance				\$ (79,087)	\$ -	\$ 8,451,802	\$ 8,599,960	\$ 29,776	\$ 177	\$ (325,925)	\$ 29,339	\$ 39,742
(A) Encumbrances Cancelled												

**NOTES TO THE SCHEDULES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

**NUTLEY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules 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 Notes 1(C) to the Board's basic financial statements.

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 a modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes, that payment is not recognized until the subsequent year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(257,261) for the general fund and \$509 for the special revenue fund. See *the Notes to Required Supplementary Information* for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's *basic* financial statements on a GAAP basis are as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 7,914,050	\$ 7,914,050
Special Revenue Fund	\$ 872,074	409,018	1,281,092
Debt Service Fund		14,878	14,878
Food Service Fund	<u>77,518</u>	<u>6,184</u>	<u>83,702</u>
Total Financial Assistance	<u>\$ 949,592</u>	<u>\$ 8,344,130</u>	<u>\$ 9,293,722</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER

Revenues and expenditures reported under the U.S.D.A. Commodities Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2003. TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2003.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued on financial statements

Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified:

_____ yes X no

2) Reportable condition(s) identified that are not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to general purpose financial statements noted?

_____ yes X no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified:

_____ yes X no

2) Reportable condition(s) identified that are not considered to be material weaknesses?

_____ yes X none reported

Type of auditor's report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027

IDEA Part B

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Part I – Summary of Auditor's Results

State Awards Section

Internal Control over major programs:

(1) Were any reportable condition(s) in internal control over major programs identified?

_____ yes X no

(2) If applicable, were any such reportable condition(s) considered to be material weakness(es)?

_____ yes X no

Type of auditor's report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 98-07?

_____ yes X no

Identification of major state programs:

GMIS Number(s)
03-495-034-5120-022
03-495-034-5120-011

Name of State Program
Core Curriculum Stds. Aid
Special Education Aid

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Part 2 – Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

This section identifies the reportable condition, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 98-07, as amended.

CURRENT YEAR FEDERAL AWARDS

Finding 2003-1

Salaries and wages of summer teachers and aides charged to the IDEA grant were not included in the board resolution approving salaries and wages chargeable to federally funded programs. In addition, time and activity records were not prepared.

State Program Information

IDEA Part B – 84.027

Criteria or Specific Requirement

Allowable costs.

Condition

Board approval for the salaries charged to the federal program was not obtained. Teachers schedules supporting the time and activity reports incurred for this grant were not available.

Questioned Costs

Unknown.

Context

Expenditures were charged to the federal grant without the necessary approvals.

Effect

The District's accounting records would reflect budget expenditures that may not be allowable.

Recommendation

Salaries and wages charged to federally funded programs be approved in the official minutes of the Board. Further, time and activity records be prepared for all program funded employees.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

This section identifies the reportable condition, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 98-07, as amended.

CURRENT YEAR STATE AWARDS

Finding 2003-2

Expenditures for certain vehicle maintenance, custodial, plumbing and general supplies were in excess of the bid threshold for which no public advertising for bids were sought.

State program information:

Special Education Aid

03-495-034-5120-011

Criteria or specific requirement:

N.J.S.A. 18A:18A-4, Contracts and Agreements Requiring Advertisement

Condition:

The District incurred certain vehicle maintenance expenses and purchased supplies during the year where no evidence of public bidding or state contract existed.

Questioned Costs:

Undeterminable.

Context:

The aggregate purchases for the above categories exceeded the bid threshold of \$17,500 during the school year.

Effect:

The District may not be in compliance with the Public School Contracts Law.

Recommendation:

The District adhere to the Local Public Contracts Law with regards to accumulated purchases which exceed the bid threshold.

**NUTLEY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-135 (section .315(a)(b)) and New Jersey OMB's Circular 98-07.

STATUS OF PRIOR YEAR FINDINGS

Finding 2002-1

Certain budget accounts in the IDEA basic and IDEA pre-school grant were overexpended during the school year. Budget transfers were authorized by the Board, subsequent to August 1, 2002.

Status

Corrective action was taken.