

NUTLEY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Nutley, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Nutley Board of Education

Nutley, New Jersey

For The Fiscal Year Ended June 30, 2004

Prepared by

Business Office

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INTRODUCTORY SECTION

THE NUTLEY PUBLIC SCHOOLS

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Business Administrator/Board Secretary

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November 1, 2004

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, 2004.

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, 2004, 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, 2004, 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 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 2003-04 fiscal year with an average daily enrollment of 4,199 students, which is five students below the previous year's average. The following details the changes in the average daily enrollment of the District over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2003-04	4,199	(0.1%)
2002-03	4,204	2.2%
2001-02	4,112	2.0%
2000-01	4,032	0.9%
1999-00	3,996	1.5%

2) ECONOMIC CONDITION AND OUTLOOK: The taxable net valuation increased from \$511,481,100 to \$517,753,000, an increase of \$6.27 million. 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 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. The High School renovations were completed in September 2004. Voters then approved, also in September 2004, a \$23.7 million referendum which will provide renovations/additions to the Franklin Middle School. This project is the second phase of implementation in the Long-Range Facility Plan.

Labor force statistics for 2003 noted an unemployment rate of 4.2%, well below the county average of 7.3%.

3) MAJOR INITIATIVES: The 2003-04 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 2004, with 98.2% of Nutley's students passing the language arts section, and 91.5% 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 eight points and one point, respectively. Results in math exceeded state averages by three points but fell below national averages by one point.

The Grade Eight Proficiency Assessment (GEPA) was administered in March 2004. Nutley pupils were ranked proficient or advanced proficient as follows: Math – 82.4%, Language Arts – 91.7%, Science – 91.3%.

The NJ Assessment of Skills & Knowledge – Grade 4 (NJASK 4) is given to all fourth graders. For the 2004 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 82.8%; Language Arts – 97.5%.

The graduating class of 2004 had 90.8% of its members going on to post-secondary education. 67.7% will be attending four-year colleges and universities. Scholarships

and grants awarded to 2004 graduates were approximately \$2.05 million. Six National Merit Scholarships, 20 Edward J. Bloustein Distinguished Scholars and two Advanced Placement Scholars were awarded to graduates.

In extra-curricular activities, Nutley continues to outpace the majority of New Jersey districts as evidenced by a budget of \$240 per pupil compared to a statewide average for K-12 of \$200. This includes 23 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 Social Studies; World Cultures – High School and grades K-3, AP Statistics, Language Arts Literacy-Guided Reading Program for grades K-3, the Music Curriculum grades 7-12, Business Education Curriculum grades 7-12, World Language Curriculum grades K-12 and Family Life/Chemical Health Curriculum grades 7-12. Professional Development activities included in service and out of district seminars and workshops in Instructional Theory Into Practice (ITIP), K-12 Intervention and Referral Services (IRS/504) staff development, Social Decision Making/Character Education, Differential Instruction grades 1-4, Affirmative Action Policies in monitoring harassment, intimidation and bullying awareness and new teacher mentoring and assessment training in NJASK, GEPA, HSPA and Terra Nova Tests.

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 2004, the district spent \$8,615 per pupil compared to a statewide K-12 average of \$10,198. The Guide also reported that the district's budget for 2003-04 was based on \$8,813 per pupil, compared to the New Jersey state average of \$10,725.

The school tax levy was approved by a margin of 1,888–1,202. This marked the 15th 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, 2004.

6) DEBT ADMINISTRATION: As of June 2004, the District's outstanding debt is \$3,363,000 which including \$440,000 of general obligation bonds and \$2,923,000 of school bonds. The general obligation 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.

The school bonds were issued in August of 2003 in the amount of \$2,923,000, having been approved by the voters in April 2003. Bond proceeds were used to finance a district wide telephone and intercom system as well as renovations at Nutley High School, including acquisition and installation of furnishings and equipment.

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.

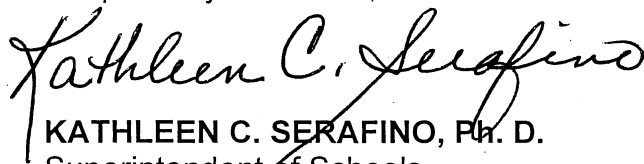
8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

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 04-04 OMB. The auditors' report on the basic 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,

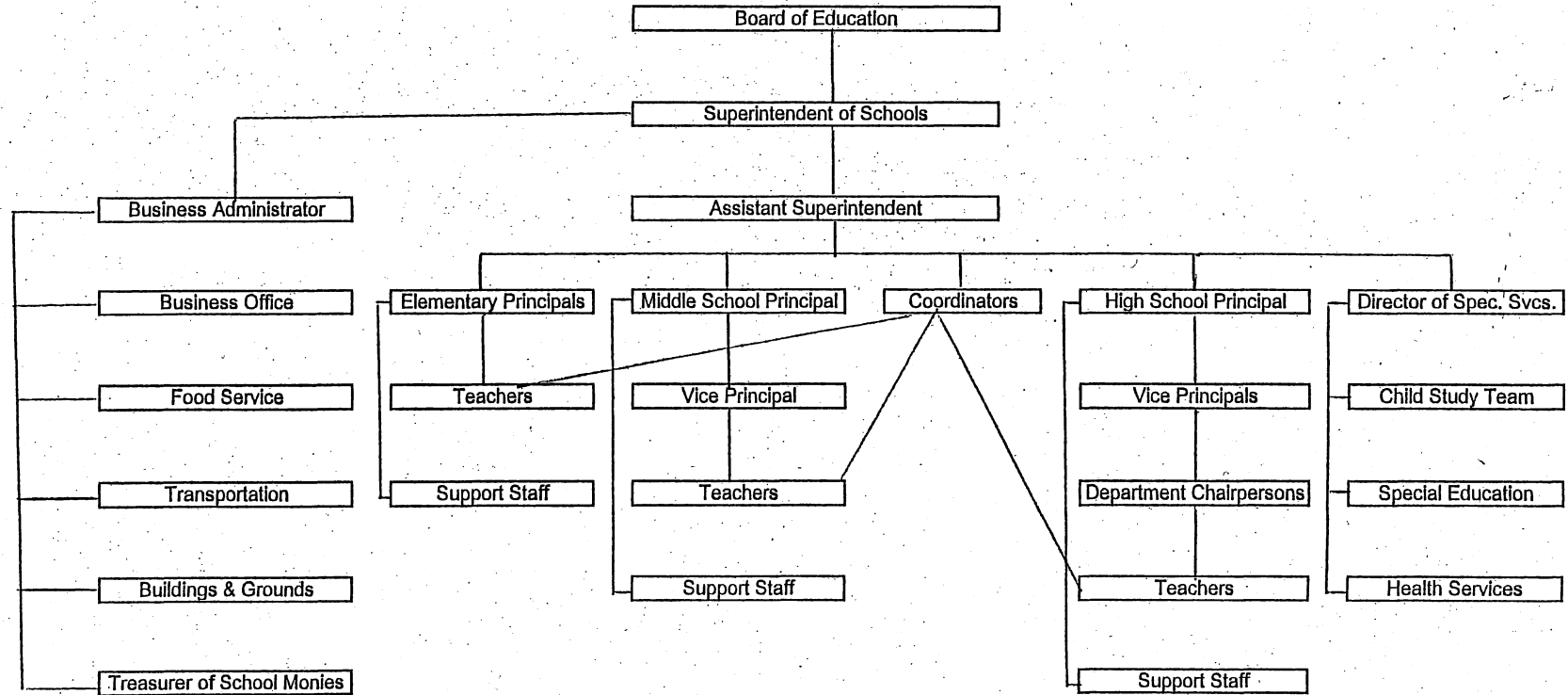


KATHLEEN C. SERAFINO, Ph. D.
Superintendent of Schools



DENNIS M. OBLACK
Business Administrator/
Board Secretary

NUTLEY PUBLIC SCHOOLS
375 BLOOMFIELD AVE.
NUTLEY, NJ 07110



NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

ROSTER OF OFFICIALS JUNE 30, 2004

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Maria Alamo, President	2006
Gerald M. Parisi, Vice-President	2007
John Cafone	2005
Philip T. Casale	2007
Gerard Del Tufo	2005
Sal Olivo	2005
Kenneth J. Reilly	2007
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

Note

Effective July 1, 2004 the School Business Administrator/Board Secretary is Dennis M. Oblack, CPA.

NUTLEY BOARD OF EDUCATION
Consultants and Advisors

Attorney

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

Independent Auditors

Lerch, Vinci & Higgins, LLP
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Fair Lawn, NJ 07410

Medical Inspector

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Commerce Bank
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FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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CHRISTINE CORRUBIA, CPA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA

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, 2004, 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.

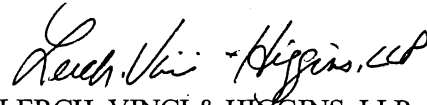
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by 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, 2004, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2004 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 accounting principles generally accepted in the United States of America. 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 04-04, "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 or 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 18, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

This section of the Nutley Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2003-2004 fiscal year include the following:

- The assets of the Nutley Board of Education exceeded its liabilities at the close of the fiscal year by \$610,695.
- Overall district revenues were \$48,616,348. General revenues accounted for \$38,596,350 or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,019,998 or 21% of total revenues.
- The school district had \$45,698,212 in expenses for governmental activities; only \$8,724,647 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$38,595,966 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 \$2,148,356.
- The General Fund fund balance at June 30, 2004 was \$1,205,428, an increase of \$220,021 over the June 30, 2003 balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

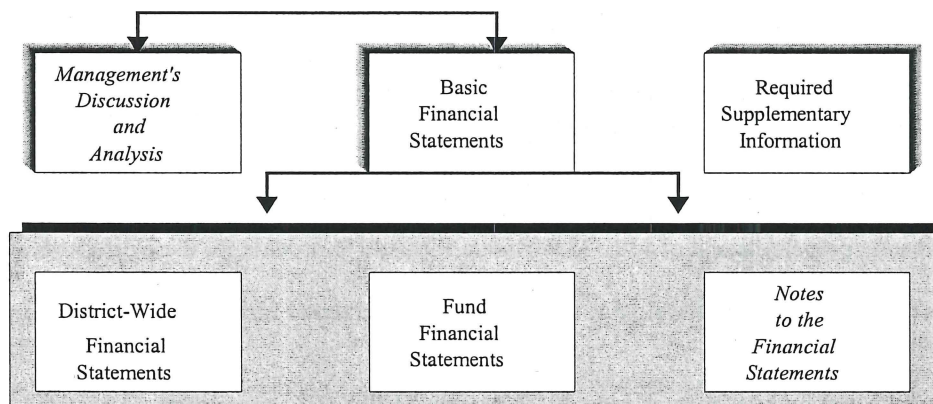
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
- *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, 2004

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: 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 revenues, 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 deductions 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, 2004**

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 district-wide statements.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

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 district-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, assets exceeded liabilities by \$610,695 as of June 30, 2004. See Table A-1.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

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, 2004 and 2003**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current Assets	\$ 3,452,240	\$ 3,151,110	\$ 229,489	\$ 206,493	\$ 3,681,729	\$ 3,357,603
Capital Assets	<u>4,233,295</u>	<u>883,818</u>	<u>8,748</u>	<u>1,677</u>	<u>4,242,043</u>	<u>885,495</u>
Total Assets	<u>7,685,535</u>	<u>4,034,928</u>	<u>238,237</u>	<u>208,170</u>	<u>7,923,772</u>	<u>4,243,098</u>
Long-Term Liabilities	5,908,501	2,812,287			5,908,501	2,812,287
Other Liabilities	<u>1,398,534</u>	<u>2,286,542</u>	<u>6,042</u>	<u>4,649</u>	<u>1,404,576</u>	<u>2,291,191</u>
Total Liabilities	<u>7,307,035</u>	<u>5,098,829</u>	<u>6,042</u>	<u>4,649</u>	<u>7,313,077</u>	<u>5,103,478</u>
Net Assets						
Invested in capital assets, net of related debt	1,670,765	333,818	8,748	1,677	1,679,513	335,495
Restricted	123,200	116,001			123,200	116,001
Unrestricted	<u>(1,415,465)</u>	<u>(1,513,720)</u>	<u>223,447</u>	<u>201,844</u>	<u>(1,192,018)</u>	<u>(1,311,876)</u>
Total Net Assets	<u>\$ 378,500</u>	<u>\$ (1,063,901)</u>	<u>\$ 232,195</u>	<u>\$ 203,521</u>	<u>\$ 610,695</u>	<u>\$ (860,380)</u>

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Table A-2
Change in Net Assets
For The Fiscal Year Ended June 30, 2004 and 2003

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program Revenues						
Charges for Services	\$ 157,590	\$ 105,502	\$ 1,196,449	\$ 1,150,789	\$ 1,354,039	\$ 1,256,291
Operating Grants and Contributions	7,192,163	6,512,610	98,902	83,702	7,291,065	6,596,312
Capital Grants and Contributions	1,374,894	31,018			1,374,894	31,018
General Revenues						
Property Taxes	35,213,749	32,938,598			35,213,749	32,938,598
State Aid	3,268,854	2,683,654			3,268,854	2,683,654
Other	113,363	108,453	384		113,747	108,453
Transfers	(180,000)	(185,000)	180,000	185,000	-	-
Total Revenues and Transfers	<u>47,140,613</u>	<u>42,194,835</u>	<u>1,475,735</u>	<u>1,419,491</u>	<u>48,616,348</u>	<u>43,614,326</u>
Expenses						
Instruction						
Regular	21,433,560	20,673,488			21,433,560	20,673,488
Special Education	5,265,971	5,084,142			5,265,971	5,084,142
Other Instruction	1,309,562	896,684			1,309,562	896,684
School Sponsored Activities and Athletics	1,017,263	1,091,990			1,017,263	1,091,990
Community Services	2,272	5,472			2,272	5,472
Support Services						
Student and Instruction Related Services	4,771,305	4,629,760			4,771,305	4,629,760
School Administrative Services	1,018,272	990,620			1,018,272	990,620
General Administrative Services	2,960,253	2,691,135			2,960,253	2,691,135
Plant Operations and Maintenance	4,889,636	4,490,099			4,889,636	4,490,099
Pupil Transportation	1,682,776	1,453,598			1,682,776	1,453,598
Business and Other Support Services	1,223,793	1,044,051			1,223,793	1,044,051
Special Schools		23,778				23,778
Interest on Long-Term Debt	123,549	37,790			123,549	37,790
Food Services			868,210	808,696	868,210	808,696
Child Care	-	-	578,851	529,727	578,851	529,727
Total Expenses	<u>45,698,212</u>	<u>43,112,607</u>	<u>1,447,061</u>	<u>1,338,423</u>	<u>47,145,273</u>	<u>44,451,030</u>
Increase (Decrease) in Net Assets	1,442,401	(917,772)	28,674	81,068	1,471,075	(836,704)
Net Assets, Beginning of Year	(1,063,901)	(146,129)	203,521	122,453	(860,380)	(23,676)
Net Assets, End of Year	<u>\$ 378,500</u>	<u>\$ (1,063,901)</u>	<u>\$ 232,195</u>	<u>\$ 203,521</u>	<u>\$ 610,695</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, 2004**

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$47,320,613 for the year ended June 30, 2004 a 12 percent increase from the previous year. Property taxes of \$35,213,749 represented 74 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$11,835,911. 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 \$45,698,212. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$29,028,628 (64%) of total expenditures. Student support services, exclusive of administration, total \$4,771,305 or (10%) of total expenditures (See Table A-4).

Total governmental activities revenues surpassed expenses and transfers, increasing net assets \$1,442,401 from the previous year.

Table A-3 Revenues by Source- Governmental Activities
For Fiscal Year 2004

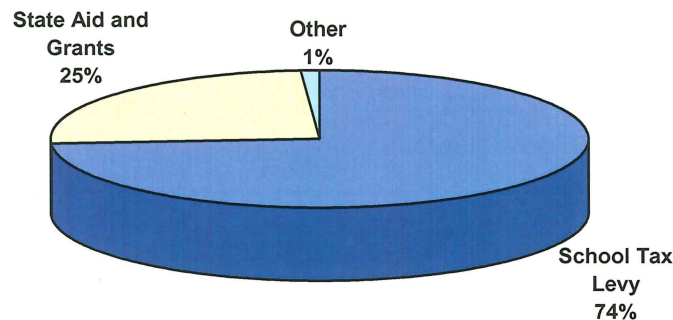
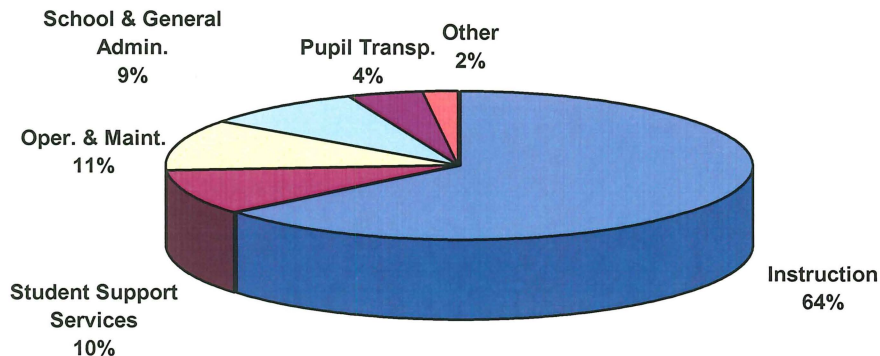


Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2004



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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Net Cost of Governmental Activities. The District's total cost of services was \$45,698,212. After applying program revenues, derived from charges for services of \$157,590; operating grants and contributions of \$7,192,163; and capital grants and contribution of \$1,374,894, the net cost of services of the District is \$36,973,565. See Table A-5.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Instruction				
Regular	\$ 21,433,560	\$ 20,673,488	\$ 17,893,174	\$ 18,545,680
Special Education	5,265,971	5,084,142	1,783,534	2,169,174
Other Instruction	1,309,562	896,684	740,660	470,389
School Sponsored Activities and Athletics	1,017,263	1,091,990	949,530	990,121
Community Services	2,272	5,472	2,272	5,472
Support Services				
Student and Instruction Related Services	4,771,305	4,629,760	4,445,854	4,099,752
School Administrative Services	1,018,272	990,620	978,743	856,854
General Administrative Services	2,960,253	2,691,135	2,727,112	2,691,135
Plant Operations and Maintenance	4,889,636	4,490,099	4,889,636	4,150,829
Pupil Transportation	1,682,776	1,453,598	1,245,192	1,378,452
Business and Other Support Services	1,223,793	1,044,051	1,194,309	1,044,051
Special Schools		23,778		23,778
Interest on Long-Term Debt	123,549	37,790	123,549	37,790
Total	\$ 45,698,212	\$ 43,112,607	\$ 36,973,565	\$ 36,463,477

Business-Type Activities – The District's total business-type activities revenues were \$1,295,735 for the year ended June 30, 2004. Charges for services accounted for 92% of total revenues. Operating grants and contributions accounted for 8% of total revenue for the year.

The total cost of all business-type activities programs and services was \$1,447,061. 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 \$28,674 over the last year.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

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 \$2,148,356. At June 30, 2003, the fund balance was \$867,488. This significant increase is predominately attributable to the funding of the District's capital project by the Economic Development Authority.

Revenues for the District's governmental funds were \$47,265,712, while total expenses were \$48,907,326.

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.

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Increase (Decrease)	Percentage of Total
Local Sources				
Property Tax Levy	\$ 35,085,691	\$ 32,800,135	\$ 2,285,556	7.0%
Tuition	65,034	30,356	34,678	14.2%
Miscellaneous	197,692	183,599	14,093	7.7%
State Sources	<u>9,140,384</u>	<u>7,914,050</u>	<u>1,226,334</u>	15.5%
Total General Fund Revenues	<u>\$ 44,488,801</u>	<u>\$ 40,928,140</u>	<u>\$ 3,560,661</u>	8.7%

Total General Fund Revenues increased by \$3,560,661 or 8.7% over the previous year.

Local property taxes remained stable, increasing 7% over the previous year. State aid revenues increased \$1,226,334 or 15% predominantly attributable to State On-behalf TPAF Pension contributions.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

The following schedule presents a summary of General Fund expenditures.

	Year Ended		Increase	Percentage
	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>(Decrease)</u>	<u>of Total</u>
Instruction	\$ 27,731,003	\$ 26,888,445	\$ 842,558	3.1%
Support Services	16,297,811	14,701,786	1,596,025	10.8%
Capital Outlay	234,681	146,806	87,875	59.9%
Special Schools	<u>-</u>	<u>23,778</u>	<u>(23,778)</u>	0.0%
Total Expenditures	<u>\$ 44,263,495</u>	<u>\$ 41,760,815</u>	<u>\$ 2,502,680</u>	6.0%

Total General Fund expenditures increased \$2,502,680 or 6% 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 2003-2004 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$220,021. As a result, total fund balance increased to \$1,205,428 at June 30, 2004. After deducting statutory transfers and reserves, the unreserved undesignated fund balance decreased from \$767,919 at June 30, 2003 to \$696,292 at June 30, 2004.

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 \$1,308,989, for the year ended June 30, 2004. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 79% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$26,397 or 2% from the previous year. State sources decreased \$133,901 or 32%, while Federal sources increased \$159,050 or 18%.

Expenditures of the Special Revenue Fund were \$1,308,989. Instructional expenditures were \$1,161,071 or 89% and expenditures for the support services were \$145,802 or 11 % of total expended for the year ended June 30, 2004. There were capital outlay expenditures of \$2,748 in the Special Revenue Fund.

Capital Projects - The District issued serial bonds in the amount of \$2,923,000 to finance its capital projects. Revenues and other financing sources exceeded expenditures by \$1,054,354 resulting in a fund balance of \$936,434 at June 30, 2004.

NUTLEY BOARD OF EDUCATION NUTLEY, NEW JERSEY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

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.

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, 2004 amounts to \$4,233,295 (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 2003-04 amounted to \$128,744 for governmental activities and \$721 for business-type activities.

Table A-6
Capital Assets at June 30, 2004 and 2003
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 79,932	\$ 79,932			\$ 79,932	\$ 79,932
Buildings	57,470	76,836			57,470	76,836
Machinery and Equipment	784,949	609,130	\$ 8,748	\$ 1,677	793,697	610,807
Construction in Progress	3,310,944	117,920	-	-	3,310,944	117,920
Total Net Assets	\$ 4,233,295	\$ 883,818	\$ 8,748	\$ 1,677	\$ 4,242,043	\$ 885,495

Additional information on the District's capital assets are presented in Note 3 of this report.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$2,409,537, capital leases payable of \$135,964 and bonds payable of \$3,363,000.

Additional information of the District's long-term liabilities is presented in Note 3 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Many factors were considered by the District's administration during the process of developing the fiscal year 2004-2005 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 2004-2005. Budgeted expenditures in the General Fund increased five percent to \$43,535,803 in fiscal year 2004-2005. 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.

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BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,279,109	\$ 203,306	\$ 1,482,415
Receivables, net			
Receivables from Other Governments	2,024,819	4,485	2,029,304
Other	31,606	13,259	44,865
Inventory		8,439	8,439
Restricted Assets			
Capital Reserve Account - Cash	116,706		116,706
Capital Assets, net	<u>4,233,295</u>	<u>8,748</u>	<u>4,242,043</u>
Total Assets	<u>7,685,535</u>	<u>238,237</u>	<u>7,923,772</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	372,247	1,990	374,237
Payable to State Government	60,093		60,093
Accrued Interest Payable	94,650		94,650
Deferred Revenue	871,544	4,052	875,596
Noncurrent Liabilities			
Due within one year	227,258		227,258
Due beyond one year	<u>5,681,243</u>	<u>-</u>	<u>5,681,243</u>
Total Liabilities	<u>7,307,035</u>	<u>6,042</u>	<u>7,313,077</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	1,670,765	8,748	1,679,513
Restricted for			
Debt Service	6,494		6,494
Capital Projects	116,706		116,706
Unrestricted	<u>(1,415,465)</u>	<u>223,447</u>	<u>(1,192,018)</u>
Total Net Assets	<u>\$ 378,500</u>	<u>\$ 232,195</u>	<u>\$ 610,695</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, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 21,433,560		\$ 2,216,008	\$ 1,324,378	\$ (17,893,174)		\$ (17,893,174)
Special Education	5,265,971	\$ 65,034	3,417,403		(1,783,534)		(1,783,534)
Other Instruction	1,309,562		566,786	2,116	(740,660)		(740,660)
School Sponsored Activities and Athletics	1,017,263		19,333	48,400	(949,530)		(949,530)
Community Services	2,272				(2,272)		(2,272)
Support Services							
Student and Instruction Related Services	4,771,305		325,451		(4,445,854)		(4,445,854)
School Administrative Services	1,018,272		39,529		(978,743)		(978,743)
General Administrative Services	2,960,253		233,141		(2,727,112)		(2,727,112)
Plant Operations and Maintenance	4,889,636				(4,889,636)		(4,889,636)
Pupil Transportation	1,682,776	92,556	345,028		(1,245,192)		(1,245,192)
Business Services	1,223,793		29,484		(1,194,309)		(1,194,309)
Interest on Long-Term Debt	123,549	-	-	-	(123,549)	-	(123,549)
Total Governmental Activities	45,698,212	157,590	7,192,163	1,374,894	(36,973,565)	-	(36,973,565)
Business-Type Activities							
Food Service	868,210	559,363	98,902			\$ (209,945)	(209,945)
Child Care	578,851	637,086	-	-	-	58,235	58,235
Total Business-Type Activities	1,447,061	1,196,449	98,902	-	-	(151,710)	(151,710)
Total Primary Government	\$ 47,145,273	\$ 1,354,039	\$ 7,291,065	\$ 1,374,894	(36,973,565)	(151,710)	(37,125,275)

**NUTLEY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Net (Expense) Revenue and Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues			
Property Taxes	\$ 35,213,749		\$ 35,213,749
State Aid - Unrestricted	3,255,094		3,255,094
State Aid - Restricted for Debt Service	13,760		13,760
Investment Earnings	55,087	\$ 384	55,471
Accrued Interest and Premium on Bonds	6,501		6,501
Miscellaneous Income	51,775		51,775
Transfers	<u>(180,000)</u>	<u>180,000</u>	<u>-</u>
 Total General Revenues, Special Items and Transfers	 <u>38,415,966</u>	 <u>180,384</u>	 <u>38,596,350</u>
 Change in Net Assets	 1,442,401	 28,674	 1,471,075
 Net Assets, Beginning of Year	 <u>(1,063,901)</u>	 <u>203,521</u>	 <u>(860,380)</u>
 Net Assets, End of Year	 <u>\$ 378,500</u>	 <u>\$ 232,195</u>	 <u>\$ 610,695</u>

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FUND FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2004**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,027,095	\$ 252,013		\$ 1	\$ 1,279,109
Receivables, Net	31,606				31,606
Due from Other Funds	86,742			6,493	93,235
Receivables from Other Governments	84,360	1,135	\$ 1,939,324		2,024,819
Restricted Cash and Cash Equivalents	116,706	-	-	-	116,706
Total Assets	<u>\$ 1,346,509</u>	<u>\$ 253,148</u>	<u>1,939,324</u>	<u>\$ 6,494</u>	<u>\$ 3,545,475</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 39,013	\$ 48,270	\$ 284,964		\$ 372,247
Due to Other Funds			93,235		93,235
Payable to State Government		60,093			60,093
Deferred Revenue	102,068	144,785	624,691	-	871,544
Total Liabilities	<u>141,081</u>	<u>253,148</u>	<u>1,002,890</u>	<u>-</u>	<u>1,397,119</u>
Fund Balances					
Reserved for					
Encumbrances	250,855		1,300,519		1,551,374
Capital Reserve Account	116,706				116,706
Legally Restricted - Designated in Subsequent Year's Budget	141,575				141,575
Unreserved					
Undesignated, Reported in General Fund	696,292				696,292
Debt Service Fund				\$ 6,494	6,494
Capital Projects Fund	-	-	(364,085)	-	(364,085)
Total Fund Balances	<u>1,205,428</u>	<u>-</u>	<u>936,434</u>	<u>6,494</u>	<u>2,148,356</u>
Total Liabilities and Fund Balances	<u>\$ 1,346,509</u>	<u>\$ 253,148</u>	<u>\$ 1,939,324</u>	<u>\$ 6,494</u>	

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 \$11,042,019 and the accumulated depreciation is \$6,808,724

4,233,295

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

(94,650)

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	3,363,000
Capital Leases	135,964
Compensated Absences Payable	2,409,537

(5,908,501)

\$ 378,500

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<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	\$ 35,085,691			\$ 128,058	\$ 35,213,749
Tuition	65,034				65,034
Transportation Fees	92,556				92,556
Miscellaneous	105,136	\$ 2,748	\$ 1,726	-	109,610
Total - Local Sources	35,348,417	2,748	1,726	128,058	35,480,949
State Sources	9,140,384	275,117	1,324,378	13,760	10,753,639
Federal Sources	-	1,031,124	-	-	1,031,124
Total Revenues	44,488,801	1,308,989	1,326,104	141,818	47,265,712
EXPENDITURES					
Current					
Regular Instruction	21,263,600	58,736			21,322,336
Special Education Instruction	4,560,283	688,647			5,248,930
Other Instruction	895,874	413,688			1,309,562
School-Sponsored Activities and Athletics	1,008,977				1,008,977
Community Services	2,269				2,269
Support Services and Undistributed Costs					
Student and Instructional Related Services	4,612,787	145,802			4,758,589
School Administrative Services	991,275				991,275
General Administrative Services	2,939,464				2,939,464
Plant Operations and Maintenance	4,903,623				4,903,623
Pupil Transportation	1,654,566				1,654,566
Business Services	1,196,096				1,196,096
Debt Service					
Principal				110,000	110,000
Interest and Other Charges				31,818	31,818
Capital Outlay	234,681	2,116	3,193,024	-	3,429,821
Total Expenditures	44,263,495	1,308,989	3,193,024	141,818	48,907,326
Excess (Deficiency) of Revenues Over Expenditures	225,306	-	(1,866,920)	-	(1,641,614)
OTHER FINANCING SOURCES (USES)					
Serial Bonds Issued			2,923,000		2,923,000
Accrued Interest on Bonds			6,493		6,493
Premium on Bonds			8		8
Capital Leases (Non-Budgeted)	172,981				172,981
Transfers In	1,734			6,493	8,227
Transfers Out	(180,000)	-	(8,227)	-	(188,227)
Total Other Financing Sources and Uses	(5,285)	-	2,921,274	6,493	2,922,482
Net Change in Fund Balances	220,021	-	1,054,354	6,493	1,280,868
Fund Balance, Beginning of Year	985,407	-	(117,920)	1	867,488
Fund Balance, End of Year	\$ 1,205,428	\$ -	\$ 936,434	\$ 6,494	\$ 2,148,356

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

**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, 2004**

Total net change in fund balances - governmental funds (Exhibit B-2) **\$ 1,280,868**

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	\$ 3,429,821
Depreciation Expense	<u>(128,744)</u>

3,301,077

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.

48,400

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	(147,250)
----------------------	-----------

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.

110,000

Repayment of lease purchase 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.

37,017

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.

Increase in accrued interest	(91,730)
------------------------------	----------

The issuance of long-term debt provides current financial resources to government funds, but has no effect on net assets

Serial bonds issued	(2,923,000)
Capital lease financing	<u>(172,981)</u>

Change in net assets of governmental activities (Exhibit A-2) **\$ 1,442,401**

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS			
Cash and Cash Equivalents		\$ 203,306	\$ 203,306
Intergovernmental Accounts Receivable			
State	\$ 971		971
Federal	3,514		3,514
Interfund Accounts Receivable		38,839	38,839
Other Accounts Receivable	13,259		13,259
Inventory	8,439	-	8,439
	<u>26,183</u>	<u>242,145</u>	<u>268,328</u>
Total Current Assets			
Capital Assets			
Machinery and Equipment	125,797		125,797
Less: Accumulated Depreciation	(117,049)	-	(117,049)
	<u>8,748</u>	<u>-</u>	<u>8,748</u>
Total Capital Assets			
Total Assets	<u>34,931</u>	<u>242,145</u>	<u>277,076</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,838	152	1,990
Interfunds Payable	38,839		38,839
Deferred Revenue	4,052	-	4,052
	<u>44,729</u>	<u>152</u>	<u>44,881</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets Net of Related Debt	8,748		8,748
Unrestricted	(18,546)	241,993	223,447
	<u>(9,798)</u>	<u>241,993</u>	<u>232,195</u>
Total Net Assets	<u>\$ (9,798)</u>	<u>\$ 241,993</u>	<u>\$ 232,195</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, 2004**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES			
Charges for Services			
Program Fees		\$ 637,086	\$ 637,086
Daily Sales - Reimbursable	\$ 212,180		212,180
School Lunch Program	260,692		260,692
Special Functions	70,938		70,938
Miscellaneous	15,553	-	15,553
	<u>559,363</u>	<u>637,086</u>	<u>1,196,449</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Wages	345,488	539,066	884,554
Employee Benefits	159,611	7,957	167,568
Cost of Sales	297,003		297,003
Supplies	54,589	13,324	67,913
Purchased Services	6,853	9,737	16,590
Other	3,945	8,767	12,712
Depreciation	721	-	721
	<u>868,210</u>	<u>578,851</u>	<u>1,447,061</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(308,847)</u>	<u>58,235</u>	<u>(250,612)</u>
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	6,200		6,200
Federal Sources			
Federal School Lunch Program	67,845		67,845
USDA Commodities	24,857		24,857
Interest Income	384	-	384
	<u>99,286</u>	<u>-</u>	<u>99,286</u>
Total Nonoperating Revenues			
Net Income (Loss) Before Operating Transfers	(209,561)	58,235	(151,326)
Transfers In	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Net Income (Loss)	(29,561)	58,235	28,674
Net Assets, Beginning of Year	<u>19,763</u>	<u>183,758</u>	<u>203,521</u>
Net Assets, End of Year	<u>\$ (9,798)</u>	<u>\$ 241,993</u>	<u>\$ 232,195</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, 2004**

	Food Service	Extended Day	Business-Type Activities Enterprise Fund Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 551,950	\$ 638,878	\$ 1,190,828
Payments for Employees	(505,099)	(547,023)	(1,052,122)
Payments to Suppliers	<u>(335,461)</u>	<u>(31,676)</u>	<u>(367,137)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(288,610)</u>	<u>60,179</u>	<u>(228,431)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Transfers from Other Funds	180,000		180,000
Due to/from Other Funds	34,078	(38,839)	(4,761)
State and Federal Sources	<u>81,940</u>	<u>-</u>	<u>81,940</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>296,018</u>	<u>(38,839)</u>	<u>257,179</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	<u>(7,792)</u>	<u>-</u>	<u>(7,792)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(7,792)</u>	<u>-</u>	<u>(7,792)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>384</u>	<u>-</u>	<u>384</u>
Net Cash Provided By Investing Activities	<u>384</u>	<u>-</u>	<u>384</u>
Net Increase (Decrease) in Cash and Cash Equivalents		21,340	21,340
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>181,966</u>	<u>181,966</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 203,306</u>	<u>\$ 203,306</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (308,847)	\$ 58,235	\$ (250,612)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	721		721
Food Distribution Program	24,857		24,857
(Increase) Decrease in Accounts Receivable	(7,413)	1,792	(5,621)
(Increase) Decrease in Inventories	831		831
Increase (Decrease) in Accounts Payable	1,838	152	1,990
Increase (Decrease) in Other Liabilities	<u>(597)</u>	<u>-</u>	<u>(597)</u>
Total Adjustments	<u>20,237</u>	<u>1,944</u>	<u>22,181</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (288,610)</u>	<u>\$ 60,179</u>	<u>\$ (228,431)</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, 2004**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 16,076	\$ 473,498	\$ 125,962
Total Assets	<u>16,076</u>	<u>473,498</u>	<u>\$ 125,962</u>
LIABILITIES			
Due to Student Groups			\$ 125,962
Payable to State Government	<u>-</u>	<u>133</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>133</u>	<u>\$ 125,962</u>
NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 16,076</u>	<u>\$ 473,365</u>	

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Private Purpose <u>Trust Funds</u>	Unemployment <u>Compensation Trust</u>
ADDITIONS		
Contributions		
Employees		\$ 59,451
Miscellaneous	\$ 17,569	
Investment Earnings		
Interest	257	6,300
Total Additions	17,826	65,751
DEDUCTIONS		
Scholarships	1,750	
Unemployment Claims and Contributions	-	57,714
Total Deductions	1,750	57,714
Change in Net Assets	16,076	8,037
Net Assets, Beginning of Year	-	465,328
Net Assets, End of Year	\$ 16,076	\$ 473,365

NOTES TO FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

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.

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 and 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.

NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 program.

The *capital projects fund* accounts for the proceeds from the sale of bonds and 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.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and for private donations for scholarships. 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, unrestricted state aid, investment earnings and miscellaneous revenues.

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.

D. Assets, Liabilities and Net Assets or Equity

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.

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".

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables (Continued)

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 2002-03 and 2003-04 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 District 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 District 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 Township can institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. 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.

Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by state regulations for capital projects.

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.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. 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. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

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.

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 2.)

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

Reserved – Legally Restricted – Designated for Subsequent Year’s Budget – This reserve was created to represent the June 30, 2004 restricted appropriations for additional 2003/04 extraordinary aid to be designated for tax relief in 2004/05.

Reclassifications

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

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 in the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

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 properly 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 2003/2004. During 2003/2004 the Board increased the original budget by \$825,577. The increases were funded by the reappropriation of prior year encumbrances and additional grant awards.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the 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, 2004**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

Deficit Fund Equity

The Food Service Enterprise Fund has cumulative net assets deficit of \$9,798 as of June 30, 2004. This deficit will be provided for in the 2004/2005 General Fund budget.

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. Post-April 2004 transfers must be in compliance with P.L. 2004 C.73 (S1701). 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.

During the fiscal year ended June 30, 2004, the District had actual interest earnings of \$706.

NOTE 3 DETAILED NOTES ON ALL FUNDS

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.

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. At June 30, 2004, the book value of the Board's deposits was \$2,214,657 and bank balances of the Board's cash and deposits amounted to \$3,964,890. Of the bank balances \$644,343 was covered by FDIC and \$3,320,547 was covered by the New Jersey Governmental Unit Deposit Protection Act. The Board's deposits which are displayed on the combined balance sheet as "cash and cash equivalents" are categorized as:

Depository Account

Insured

**Bank
Balance**

\$3,964,890

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Deposits (Continued)

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, 2004, the Board's bank balance was not exposed to custodial credit risk.

Investments

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

As of June 30, 2004, the Board had no outstanding investments.

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.

Receivables

Receivables as of year-end for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts	\$ 31,606			\$ 13,259	\$ 44,865
Intergovernmental	<u>84,360</u>	<u>\$ 1,135</u>	<u>\$ 1,939,324</u>	<u>4,485</u>	<u>2,029,304</u>
Gross Receivables	115,966	1,135	1,939,324	17,744	2,074,169
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 115,966</u>	<u>\$ 1,135</u>	<u>\$ 1,939,324</u>	<u>\$ 17,744</u>	<u>\$ 2,074,169</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* reported in the governmental funds were as follows:

	<u>Unearned</u>
General Fund	
Prepaid 2004/2005 tax levy	\$102,068
Special Revenue Fund	
Unencumbered grant draw downs	127,221
Grant draw downs reserved for encumbrances	17,564
Capital Projects Fund	
Economic Development Authority School Facility Grants	<u>624,691</u>
Total Deferred Revenue for Governmental Funds	<u>\$871,544</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	Balance <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2004</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 79,932			\$ 79,932
Construction in progress	117,920	\$ 3,193,024	-	3,310,944
Total capital assets, not being depreciated	<u>197,852</u>	<u>3,193,024</u>	<u>-</u>	<u>3,390,876</u>
Capital assets, being depreciated:				
Buildings	5,437,191			5,437,191
Machinery and equipment	1,928,755	285,197	-	2,213,952
Total capital assets being depreciated	<u>7,365,946</u>	<u>285,197</u>	<u>-</u>	<u>7,651,143</u>
Less accumulated depreciation for:				
Buildings	(5,360,355)	(19,366)		(5,379,721)
Machinery and equipment	(1,319,625)	(109,378)	-	(1,429,003)
Total accumulated depreciation	<u>(6,679,980)</u>	<u>(128,744)</u>	<u>-</u>	<u>(6,808,724)</u>
Total capital assets, being depreciated, net	<u>685,966</u>	<u>156,453</u>	<u>-</u>	<u>842,419</u>
Government activities capital assets, net	<u>\$ 883,818</u>	<u>\$ 3,349,477</u>	<u>\$ -</u>	<u>\$ 4,233,295</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 118,005	\$ 7,792	-	\$ 125,797
Total capital assets being depreciated	<u>118,005</u>	<u>7,792</u>	<u>-</u>	<u>125,797</u>
Less accumulated depreciation for:				
Machinery and Equipment	(116,328)	(721)	-	(117,049)
Total accumulated depreciation	<u>(116,328)</u>	<u>(721)</u>	<u>-</u>	<u>(117,049)</u>
Total capital assets, being depreciated, net	<u>1,677</u>	<u>7,071</u>	<u>-</u>	<u>8,748</u>
Business-type activities capital assets, net	<u>\$ 1,677</u>	<u>\$ 7,071</u>	<u>\$ -</u>	<u>\$ 8,748</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:

Instruction

Regular	\$ 23,620
Special	1,378
School-Sponsored/Other Instructional	8,286
Total Instruction	<u>33,284</u>

Community Services	<u>3</u>
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Support Services

Student and Instruction Related Services	7,917
General administration	9,668
School administration	3,534
Operations and maintenance of plant	16,543
Student transportation	56,283
Business and other support services	1,512
Total Support Services	<u>95,457</u>

Total depreciation expense - governmental activities	<u>\$ 128,744</u>
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Business-type activities:

Food Service Fund	<u>\$ 721</u>
Total depreciation expense-business-type activities	<u>\$ 721</u>

Construction commitments

The District has the following active construction projects as of June 30, 2004:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Renovations at Nutley High School	<u>\$3,026,840</u>	<u>\$1,300,519</u>

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 86,742
Debt Service Fund	Capital Projects Fund	6,493
Extended Day Enterprise Fund	Food Service – Enterprise Fund	<u>38,839</u>
		<u>\$132,074</u>

The above balances are the result of funds received in one fund but due to another and to cover cash balances which were in an overdraft position.

Interfund transfers

	<u>Transfer In:</u>			
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Service</u>	<u>Total</u>
Transfer Out:				
General Fund			\$ 180,000	\$ 180,000
Capital Projects Fund	\$ 1,734	\$ 6,493	-	8,227
Total transfers out	<u>\$ 1,734</u>	<u>\$ 6,493</u>	<u>\$ 180,000</u>	<u>\$ 188,227</u>

The above transfers are the result of funds being raised in one fund to fund expenditures in another fund and funds received in the capital projects fund but due to general fund.

Leases

Capital Leases

The District is leasing various vehicles totaling \$172,981 under capital leases. The lease is for a term of 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2005	\$ 37,016
2006	37,017
2007	37,016
2008	<u>37,017</u>
Total minimum lease payments	148,066
Less: amount representing interest	<u>12,102</u>
Present value of minimum lease payments	<u>\$ 135,964</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

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, 2004 are comprised of the following issues:

\$1,700,000, 1992 Bonds, due in annual installments of \$110,000 through September 1, 2007, variable interest rates	\$ 440,000
\$2,923,000, 2003 Bonds, due in annual installments of \$105,000 to \$208,000 through August 15, 2023, variable interest rates	<u>2,923,000</u>
	<u>\$3,363,000</u>

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

Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 110,000	\$ 209,560	\$ 319,560
2006	215,000	138,956	353,956
2007	220,000	127,829	347,829
2008	225,000	116,516	341,516
2009	120,000	108,594	228,594
2010-2014	675,000	468,061	1,143,061
2015-2019	815,000	317,548	1,132,548
2020-2024	<u>983,000</u>	<u>117,289</u>	<u>1,100,289</u>
	<u>\$ 3,363,000</u>	<u>\$ 1,604,353</u>	<u>\$ 4,967,353</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2004 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 97,185,344
Less: Net Debt Issued	\$ 3,363,000
Authorized But Not Issued	<u>1,939,928</u>
	<u>5,302,928</u>
Remaining Borrowing Power	<u>\$ 91,882,416</u>

NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 550,000	\$ 2,923,000	\$ 110,000	\$ 3,363,000	\$ 110,000
Capital Leases		172,981	37,017	135,964	32,258
Compensated Absences Payable	<u>2,262,287</u>	<u>280,114</u>	<u>132,864</u>	<u>2,409,537</u>	<u>85,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 2,812,287</u>	<u>\$ 3,376,095</u>	<u>\$ 279,881</u>	<u>\$ 5,908,501</u>	<u>\$ 227,258</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 respective insurance funds are on file with the School's Business Administrator.

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

NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 trust fund for the current and previous two years:

<u>Year Ended</u> <u>June 30,</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2004	\$ 59,451	\$ 57,714	\$ 473,365
2003	81,978	103,505	465,328
2002	53,479	64,415	477,434

B. Contingent Liabilities

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

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, 2004, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. 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, 2004**

NOTE 4 OTHER INFORMATION (Continued)

C. 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.

The Fund's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the Fund is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified. The Fund's Board of Trustees is primarily responsible for the administration of the Fund.

According to the State of New Jersey Administrative Code, all obligations of the Fund will be assumed by the State of New Jersey should the Fund terminate.

Public Employees' Retirement System

The Public Employees Retirement System (PERS) was established January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

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 25 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.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Vesting and Benefit Provisions (Continued)

Teachers' Pension and Annuity Fund (Continued)

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.

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 their 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 after 24 months of retirement.

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, 2004**

NOTE 4 OTHER INFORMATION (Continued)

C. 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 2003 and 2002. 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 2003, 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.

During the year ended June 30, 2004, the State of New Jersey contributed \$1,419,403 to the TPAF for normal cost pension contribution or post-retirement medical benefits on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,678,229 during the year ended June 30, 2004 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

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. Ch. 108, P.L. 2003 provides that the State Treasurer will require the local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS as follows: 20% for payments due in State fiscal year 2005; 40% for payments due in State fiscal year 2006; not more than 60% for payments due in State fiscal year 2007; and not more than 80% for payments due in State fiscal year 2008.

D. Post Retirement 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, 2003 there were 61,549 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 is on 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.

**NUTLEY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 OTHER INFORMATION (Continued)

D. Post Retirement Benefits (Continued)

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 2003 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.

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 \$57.9 million toward Chapter 126 benefits for 8,362 eligible retired members in fiscal year 2003.

Financial Statements

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.

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, 2004**

	<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	\$ 35,085,691		\$ 35,085,691	\$ 35,085,691	
Tuition	71,573		71,573	65,034	\$ (6,539)
Transportation Fees	80,000		80,000	92,556	12,556
Other Restricted Miscellaneous	30,000		30,000	13,283	(16,717)
Unrestricted Miscellaneous	198,000	-	198,000	91,853	(106,147)
Total Revenues - Local Sources	35,465,264	-	35,465,264	35,348,417	(116,847)
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					
Other State Aid	475,088		475,088	809,890	334,802
On Behalf TPAF Pension Contributions(Non-Budgeted)				1,419,403	1,419,403
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	1,678,229	1,678,229
Total State Sources	5,920,976	-	5,920,976	9,353,410	3,432,434
Total Revenues	41,386,240	-	41,386,240	44,701,827	3,315,587
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Preschool/Kindergarten	519,536	\$ (4,969)	514,567	514,306	261
Grades 1 - 5	6,058,006	(108,150)	5,949,856	5,948,521	1,335
Grades 6 - 8	3,914,687	(85,750)	3,828,937	3,828,773	164
Grades 9 - 12	5,162,137	76,321	5,238,458	5,238,458	
Home Instruction:					
Salaries of Teachers	50,000	17,950	67,950	67,950	
Purchased Professional Services	8,000	968	8,968	8,968	
Other Objects					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	26,844	1,387	28,231	28,231	
Purchased Professional Educational Services		900	900	880	20
Purchased Technical Services	7,300	(1,431)	5,869	5,492	377
Other Purchased Services	61,430	(6,149)	55,281	54,924	357
General Supplies	667,265	(57,132)	610,133	602,884	7,249
Textbooks	218,335	(40,882)	177,453	170,768	6,685
Other Objects	19,300	2,500	21,800	19,143	2,657
Total Instruction Regular Programs	16,712,840	(204,437)	16,508,403	16,489,298	19,105
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	896,914	42,532	939,446	939,446	
Other Salaries for Instruction	124,228	90,000	214,228	214,006	222
General Supplies	17,745	921	18,666	18,497	169
Textbooks	7,300	(1,700)	5,600	5,575	25
Other Objects	250	-	250	-	250
Total Learning/Language Disabilities	1,046,437	131,753	1,178,190	1,177,524	666

(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, 2004**

	<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)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 756,256	\$ (8,312)	\$ 747,944	\$ 747,944	
Other Salaries for Instruction		300	300	71	\$ 229
General Supplies	13,550	(1,495)	12,055	11,988	67
Textbooks	3,300	(929)	2,371	2,371	
Other Objects	50	-	50	-	50
Total Resource Room/Resource Center	773,156	(10,436)	762,720	762,374	346
Preschool Disabilities					
Salaries of Teachers	102,495	3,664	106,159	106,158	1
Other Salaries for Instruction	45,249	17,444	62,693	62,692	1
General Supplies	1,200	262	1,462	1,419	43
Textbooks	100		100		100
Other Objects	50	-	50	-	50
Total Preschool Disabilities	149,094	21,370	170,464	170,269	195
Total Special Education	1,968,687	142,687	2,111,374	2,110,167	1,207
Basic Skills/Remedial					
Salaries of Teachers	351,576	74,864	426,440	426,439	1
Other Salaries for Instruction		190	190	188	2
General Supplies	6,000	(3,759)	2,241	2,240	1
Total Basic Skills/Remedial	357,576	71,295	428,871	428,867	4
Bilingual Education					
Salaries of Teachers	187,059	(1,512)	185,547	185,547	
General Supplies	2,000	3,816	5,816	4,680	1,136
Textbooks	600	111	711	-	711
Total Bilingual Education	189,659	2,415	192,074	190,227	1,847
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
School Sponsored Co-Curricular Activities					
Salaries of Teachers	105,500	35,041	140,541	140,155	386
Purchased Professional Services	41,000	(41,000)			-
General Supplies	2,200	(2,200)			
Other Objects	4,010	(3,498)	512	511	1
Total Co-Curricular Activities	152,710	(11,657)	141,053	140,666	387
School Sponsored Athletics					
Salaries	503,061	603	503,664	503,664	
Purchased Services	60,100	(3,155)	56,945	56,945	
Supplies and Materials	67,608	10,156	77,764	77,483	281
Other Objects	125,300	22,360	147,660	147,247	413
Total Athletics	756,069	29,964	786,033	785,339	694

(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, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Community Services					
Salaries	\$ 3,900	\$ (1,810)	\$ 2,090	\$ 2,089	\$ 1
Total Community Services	3,900	(1,810)	2,090	2,089	1
Total Instruction	20,144,241	28,457	20,172,698	20,149,153	23,545
Tuition					
Tuition to NJ LEA's - Special	315,361	132,914	448,275	439,370	8,905
Tuition to County Vocational - Regular	6,000	(6,000)			
Tuition to County Vocational - Special	37,934	(17,294)	20,640	20,640	
Tuition to County Sp Service and Regional Day School	188,320	94,050	282,370	211,920	70,450
Tuition to NJ Private Handicapped	1,713,235	(612,648)	1,100,587	1,100,587	
Tuition - State Facilities	16,054	(16,054)	-	-	-
Total Tuition	2,276,904	(425,032)	1,851,872	1,772,517	79,355
Undistributed Expenditures					
Health Services					
Salaries	403,655	1,901	405,556	405,555	1
Purchased Professional Services	31,000	33,624	64,624	59,590	5,034
Other Purchased Services	200		200	20	180
Supplies and Materials	14,599	(1,519)	13,080	12,905	175
Other Objects	250	-	250	99	151
Total Health Services	449,704	34,006	483,710	478,169	5,541
Undistributed Expend.-Other Supp. Svcs.-					
Student Related Services					
Salaries	282,916	40,233	323,149	323,149	
Purchased Professional Services	95,000	30,799	125,799	120,736	5,063
Supplies and Materials	1,820		1,820	1,459	361
Other Objects	50	-	50	-	50
Total Other Support/Student Related Services	379,786	71,032	450,818	445,344	5,474
Undistributed Expend.-Other Supp. Svcs.-Extraord. Serv.					
Salaries	78,145	54,094	132,239	132,238	1
Purchased Professional Services	5,000	(5,000)			
Supplies and Materials	2,600	(2,600)			
Other Objects	100	(93)	7	-	7
Total Other Support/Extraordinary Services	85,845	46,401	132,246	132,238	8
Undistributed Expend.-Other Supp. Svcs.-Students- Reg					
Salaries of Other Professional Staff	818,261	(9,987)	808,274	808,273	1
Salaries of Secretarial Staff	111,417	8,068	119,485	119,484	1
Purchased Professional Services	500		500		500
Other Purchased Professional Services	44,500	(790)	43,710	42,778	932
Other Purchased Services	2,400	1,050	3,450	3,450	
Supplies and Materials	28,959	170	29,129	28,702	427
Other Objects	3,000	350	3,350	3,299	51
Total Other Support Services/Regular	1,009,037	(1,139)	1,007,898	1,005,986	1,912

(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, 2004**

	<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 Expend.-Other Supp. Svcs.-Students- Special					
Salaries of Other Professional Staff	\$ 679,174	\$ 79,560	\$ 758,734	\$ 758,734	
Purchased Professional Educational Services		720	720	711	\$ 9
Miscellaneous Purchased Services	3,800	(372)	3,428	3,032	396
Supplies and Materials	12,470	2,500	14,970	14,617	353
Other Objects	150	-	150	145	5
Total Other Support Services/Special	695,594	82,408	778,002	777,239	763
Improvement of Instruction					
Salaries of Supervisors of Instruction	122,256		122,256	122,256	
Salaries of Other Professional Staff	41,500	12,816	54,316	54,315	1
Salaries of Secretarial Staff	158,118	(4,920)	153,198	153,198	
Purchased Professional Educational Services		1,350	1,350	1,185	165
Other Purchased Professional Services	100	2,100	2,200	2,195	5
Other Purchased Services	1,100		1,100	1,044	56
Supplies and Materials	12,804	229	13,033	12,737	296
Other Objects	400	1,200	1,600	1,537	63
Total Improvement of Instruction	336,278	12,775	349,053	348,467	586
Educational Media Services/ School Library					
Salaries	595,365	(20,583)	574,782	574,782	
Purchased Professional Services	8,287	(1,835)	6,452	6,352	100
Other Purchased Services	18,390	(1,015)	17,375	16,544	831
Supplies and Materials	121,026	(28,815)	92,211	85,993	6,218
Total Educational Media Services/ School Library	743,068	(52,248)	690,820	683,671	7,149
Instructional Staff Training Services					
Salaries of Other Professional Staff	10,000	(2,402)	7,598	4,964	2,634
Purchased Professional Services	6,000	1,300	7,300	7,300	
Other Purchased Services	17,800	1,172	18,972	18,128	844
Supplies and Materials	750	(165)	585	81	504
Other Objects	900	165	1,065	1,064	1
Total Instructional Staff Training Services	35,450	70	35,520	31,537	3,983
Support Services General Administration					
Salaries	453,177	673	453,850	453,849	1
Legal Services	85,000	(20,190)	64,810	36,912	27,898
Other Purchased Professional Services	27,500	18,420	45,920	45,812	108
Purchased Technical Services	3,000	2,787	5,787	5,485	302
Communications/Telephone	150,975	(60,985)	89,990	71,728	18,262
Other Purchased Services	151,300	435	151,735	151,722	13
Supplies and Materials	20,400	1,100	21,500	20,254	1,246
Miscellaneous Expenditures	45,795	20,820	66,615	65,845	770
Total Support Services General Administration	937,147	(36,940)	900,207	851,607	48,600
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,081,529	(26,200)	1,055,329	1,052,866	2,463
Salaries of Other Professional Staff	449,411	38,728	488,139	488,138	1
Salaries of Secretarial Staff	558,122	21,214	579,336	579,335	1
Other Purchased Services	43,270	(10,375)	32,895	32,552	343
Supplies and Materials	58,877	(1,242)	57,635	57,118	517
Other Objects	51,850	5,804	57,654	52,063	5,591
Total Support Services School Administration	2,243,059	27,929	2,270,988	2,262,072	8,916

(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, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Required Maintenance for School Facilities					
Salaries	\$ 346,126	\$ 28,336	\$ 374,462	\$ 374,461	\$ 1
Cleaning, Repair and Maintenance Services	116,050	82,422	198,472	192,484	5,988
General Supplies	92,713	29,294	122,007	117,677	4,330
Other Objects	1,000	400	1,400	1,388	12
Total Required Maint for School Facilities	555,889	140,452	696,341	686,010	10,331
Other Operations and Maintenance of Plant					
Salaries	1,941,558	144,450	2,086,008	2,086,005	3
Purchased Professional Services	45,500	2,400	47,900	43,846	4,054
Cleaning, Repair and Maintenance Services	222,650	25,159	247,809	241,588	6,221
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	19,800	(19,800)			
Insurance	81,785	5,200	86,985	86,965	20
Other Purchased Services	33,500	(16,100)	17,400	13,750	3,650
General Supplies	93,412	38,657	132,069	128,218	3,851
Energy	624,025	(25,196)	598,829	579,739	19,090
Other Objects	311,950	3,658	315,608	315,608	-
Total Other Operations and Maint. of Plant	3,374,180	158,428	3,532,608	3,495,719	36,889
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	636,000	13,189	649,189	649,188	1
Salaries for Pupil Trans (Other than Bet Home & Sch).	131,000	23,786	154,786	154,786	
Cleaning, Repair and Maintenance Services	47,000	14,935	61,935	56,571	5,364
Lease Purchase Payments - School Buses - Lease of Space for Buses		19,800	19,800	19,800	
Contr Serv(Oth. Than Bet Home & Sch)-Vend	68,700	(9,058)	59,642	59,233	409
Contr Serv(Special Education)-Vendors	256,850	17,887	274,737	268,371	6,366
Contr Serv(Special Education)-Joint Agreements	10,000		10,000	4,594	5,406
Other Purchased Services	2,748	1,300	4,048	3,995	53
Miscellaneous Purch. Services- Transportation	19,165	4,495	23,660	22,347	1,313
Supplies and Materials	40,700	(32,275)	8,425	8,007	418
Miscellaneous Expenditures	14,000	(435)	13,565	11,448	2,117
Total Student Transportation Services	1,226,163	53,624	1,279,787	1,258,340	21,447
Business and Other Services					
Salaries	814,631	(20,720)	793,911	793,909	2
Purchased Professional Services	67,895	6,340	74,235	33,035	41,200
Purchased Technical Services	66,578	(24,257)	42,321	42,320	1
Other Purchased Services	47,925	(9,461)	38,464	34,469	3,995
Supplies and Materials	35,709	30,202	65,911	59,667	6,244
Miscellaneous Expenditures	1,850	1,168	3,018	3,018	-
Total Business and Other Services	1,034,588	(16,728)	1,017,860	966,418	51,442
Unallocated Employee Benefits					
Social Security Contributions - Other	500,055	47,649	547,704	547,055	649
Pension	17,500	(8,415)	9,085	9,082	3
Workmens Compensation	120,705	13,500	134,205	134,071	134
Health Benefits	4,788,187	(136,332)	4,651,855	4,650,693	1,162
Tuition Reimbursements	69,725	(9,768)	59,957	58,694	1,263
Other Employee Benefits	109,400	40,684	150,084	150,083	1
Total Unallocated Employee Benefits	5,605,572	(52,682)	5,552,890	5,549,678	3,212

(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, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
On Behalf TPAF Pension Contributions (Non-Budgeted)				\$ 1,419,403	\$ (1,419,403)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	1,678,229	(1,678,229)
Total TPAF Pension and Social Security Contributions	-	-	-	3,097,632	(3,097,632)
Total Undistributed Expenditures	\$ 20,988,264	\$ 42,356	\$ 21,030,620	23,842,644	(2,812,024)
Total Current Expenditures	41,132,505	70,813	41,203,318	43,991,797	(2,788,479)
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction					
Grades 9 - 12	9,140	16,248	25,388	25,388	
School Sponsored/Other Instruct- Athletics		10,000	10,000	10,000	
Undistributed Expenditures					
Support Services - Non-Instruction	3,995	(1,174)	2,821	2,821	
Support Services - General Administration		4,990	4,990		4,990
School Buses Special	28,600	8,420	37,020	37,017	3
Operation and Maintenance of Plant	32,000	(8,434)	23,566	23,491	75
Total Equipment	73,735	30,050	103,785	98,717	5,068
Facilities Acquisition and Constr. Services					
Construction Services	-	625	625	-	625
Total Facilities Acquisition and Constr. Services	-	625	625	-	625
Assets Acquired Under Capital Leases (Non-Budgeted)					
Undistributed Expenditures					
Operations and Maintenance of Plant				94,765	(94,765)
School Buses - Regular	-	-	-	78,216	(78,216)
Total Assets Acquired Under Capital Leases	-	-	-	172,981	(172,981)
Total Expenditures - Capital Outlay	73,735	30,675	104,410	271,698	(167,288)
Total Expenditures - General Fund	41,206,240	101,488	41,307,728	44,263,495	(2,955,767)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	180,000	(101,488)	78,512	438,332	359,820
Other Financing Sources (Uses)					
Capital Leases (Non-Budgeted)				172,981	172,981
Transfers In				1,734	1,734
Transfers Out	(180,000)	-	(180,000)	(180,000)	-
Total Other Financing Sources (Uses)	(180,000)	-	(180,000)	(5,285)	174,715

(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, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses		\$ (101,488)	\$ (101,488)	\$ 433,047	\$ 534,535
Fund Balance, Beginning of Year	\$ 1,242,668	-	1,242,668	1,242,668	-
Fund Balance, End of Year	<u>\$ 1,242,668</u>	<u>\$ (101,488)</u>	<u>\$ 1,141,180</u>	<u>\$ 1,675,715</u>	<u>\$ (534,535)</u>

Recapitulation of Fund Balance

Reserve for Encumbrances	\$ 250,855
Capital Reserve	116,706
Designated for Subsequent Year's Budget	141,575
Unrestricted Fund Balance	<u>1,166,579</u>
Fund Balance (Budgetary Basis)	1,675,715

Reconciliation to Governmental Fund Statements (GAAP)

2003/04 State Aid Payment Not Recognized on a GAAP Basis	(277,060)
2003/04 Extraordinary Aid Not Recognized on a GAAP Basis	<u>(193,227)</u>

Fund Balance per Governmental Funds (GAAP Basis)	<u>\$ 1,205,428</u>
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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, 2004

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 194,052	\$ 149,996	\$ 344,048	\$ 275,245	\$ (68,803)
Federal	583,076	574,093	1,157,169	1,040,533	(116,636)
Local Sources					
Miscellaneous	-	-	-	2,748	2,748
Total Revenues	<u>\$ 777,128</u>	<u>\$ 724,089</u>	<u>\$ 1,501,217</u>	<u>\$ 1,318,526</u>	<u>\$ (182,691)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	498,465	(201,747)	296,718	293,930	2,788
Other Salaries for Instruction		2,699	2,699	2,699	
Purchased Professional/Educational Services	138,752	41,765	180,517	133,994	46,523
Other Purchased Services		641,159	641,159	624,665	16,494
General Supplies	12,797	89,938	102,735	45,855	56,880
Textbooks	26,362	8,713	35,075	33,827	1,248
Other Objects	-	200	200	199	1
Total Instruction	<u>676,376</u>	<u>582,727</u>	<u>1,259,103</u>	<u>1,135,169</u>	<u>123,934</u>
Support Services					
Salaries of Supervisors of Instruction		2,500	2,500	2,250	250
Salaries of Other Professional Staff	59,771	(52,777)	6,994	6,994	
Salaries of Secretarial and Clerical Asst.		2,474	2,474	2,474	
Purchased Professional/Educational Services	28,938	69,114	98,052	74,530	23,522
Other Purchased Professional Services		2,407	2,407	2,375	32
Other Purchased Services		12,930	12,930	10,430	2,500
Supplies and Materials	12,043	27,055	39,098	32,016	7,082
Tuition		31,333	31,333	8,298	23,035
Miscellaneous Expenditures	-	100	100	100	-
Total Support Services	<u>100,752</u>	<u>95,136</u>	<u>195,888</u>	<u>139,467</u>	<u>56,421</u>
Allocated Benefits					
Social Security		23,652	23,652	23,416	236
Personal Services - Employee Benefits	-	20,282	20,282	18,358	1,924
Total Allocated Benefits	<u>-</u>	<u>43,934</u>	<u>43,934</u>	<u>41,774</u>	<u>2,160</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	2,292	2,292	2,116	176
Total Facilities Acq. & Construction	<u>-</u>	<u>2,292</u>	<u>2,292</u>	<u>2,116</u>	<u>176</u>
Total Expenditures	<u>\$ 777,128</u>	<u>724,089</u>	<u>1,501,217</u>	<u>1,318,526</u>	<u>182,691</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	C-1 \$ 44,701,827	C-2 \$ 1,318,526
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, 2003 encumbrances (net of cancellations)		8,027
Less: June 30, 2004 encumbrances		(17,564)
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements.	257,261	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(277,060)	
Extraordinary aid payment recognized for budgetary purposes not recognized for GAAP statements.	<u>(193,227)</u>	<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 B-2 \$ <u>44,488,801</u>	 B-2 \$ <u>1,308,989</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 44,263,495	C-2 \$ 1,318,526
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, 2003 encumbrances (net of cancellations)		8,027
Less: June 30, 2004 encumbrances	<u>-</u>	<u>(17,564)</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 B-2 \$ <u>44,263,495</u>	 B-2 \$ <u>1,308,989</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, 2004**

	Nonpublic Textbooks	N.J. Nonpublic Auxiliary			NJ Nonpublic Handicapped			Nonpublic Nursing
		Compensatory Education	ESL	Transportation	Supplemental Instruction	Examination/ Classification	Corrective Speech	
REVENUES								
State Sources	\$ 33,827	\$ 68,561	\$ 255	\$ 10,430	\$ 16,030	\$ 24,211	\$ 25,588	\$ 40,918
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	\$ 33,827	\$ 68,561	\$ 255	\$ 10,430	\$ 16,030	\$ 24,211	\$ 25,588	\$ 40,918
EXPENDITURES								
Instruction:								
Salaries of Teachers								
Other Salaries for Instruction								
Purchased Prof. and Technical Services		\$ 68,561	\$ 255		\$ 16,030		\$ 25,588	
Other Purchased Services								
General Supplies								
Textbooks	\$ 33,827							
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	33,827	68,561	255	-	16,030	-	25,588	-
Support Services								
Salaries of Supervisors of Instruction								
Salaries of Other Professional Staff								
Salaries of Secr and Clerical Assistants								
Purchased Professional Educational Services						\$ 24,211		\$ 40,918
Purchased Professional Services								
Other Purchased Services				\$ 10,430				
Supplies and Materials								
Tuition								
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	10,430	-	24,211	-	40,918
Personal Services - Employee Benefits								
Social Security Contributions								
Other Retirement	-	-	-	-	-	-	-	-
Total Personnel Services - Employee Benefits	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Services								
Instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-	-	-	-
Total Expenditures	\$ 33,827	\$ 68,561	\$ 255	\$ 10,430	\$ 16,030	\$ 24,211	\$ 25,588	\$ 40,918

NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Title II D Carryover	Character Education Carryover	Distance Learning	NJ Technology Initiative	IDEA B Basic	IDEA B Preschool	Title II D	IDEA B Carryover
REVENUES								
State Sources		\$ 8,253	\$ 23,612	\$ 23,560				
Federal Sources	\$ 4,845	-	-	-	\$ 601,058	\$ 26,756	\$ 4,247	\$ 30,031
Total Revenues	\$ 4,845	\$ 8,253	\$ 23,612	\$ 23,560	\$ 601,058	\$ 26,756	\$ 4,247	\$ 30,031
EXPENDITURES								
Instruction:								
Salaries of Teachers		\$ 1,006						\$ 18,108
Other Salaries for Instruction								2,699
Purchased Prof. and Technical Services				\$ 23,560				
Other Purchased Services	\$ 3,231				\$ 594,678	\$ 26,756		
General Supplies		195			4,152		\$ 3,786	2,714
Textbooks								
Miscellaneous Expenses	-	199	-	-	-	-	-	-
Total Instruction	3,231	1,400	-	23,560	598,830	26,756	3,786	23,521
Support Services								
Salaries of Supervisors of Instruction								
Salaries of Other Professional Staff								1,994
Salaries of Secr and Clerical Assistants								
Purchased Professional Educational Services		4,401			2,228		\$	2,772
Purchased Professional Services		2,375						
Other Purchased Services								
Supplies and Materials			\$ 23,612					
Tuition	1,614						461	
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Support Services	1,614	6,776	23,612	-	2,228	-	461	4,766
Personal Services - Employee Benefits								
Social Security Contributions		77						1,744
Other Retirement	-	-	-	-	-	-	-	-
Total Personnel Services - Employee Benefits	-	77	-	-	-	-	-	1,744
Facilities Acquisition and Construction Services								
Instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-	-	-	-
Total Expenditures	\$ 4,845	\$ 8,253	\$ 23,612	\$ 23,560	\$ 601,058	\$ 26,756	\$ 4,247	\$ 30,031

NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Title III Carryover	Title III	Title I	Title I Carryover	Title V	Title II	Title V Carryover	Title II Carryover
REVENUES								
State Sources								
Federal Sources	\$ 5,935	\$ 3,689	\$ 211,662	\$ 19,418	\$ 4,436	\$ 93,428	\$ 1,634	\$ 5,910
Total Revenues	<u>\$ 5,935</u>	<u>\$ 3,689</u>	<u>\$ 211,662</u>	<u>\$ 19,418</u>	<u>\$ 4,436</u>	<u>\$ 93,428</u>	<u>\$ 1,634</u>	<u>\$ 5,910</u>
EXPENDITURES								
Instruction:								
Salaries of Teachers			\$ 176,114	\$ 16,984		\$ 81,718		
Other Salaries for Instruction								
Purchased Prof. and Technical Services								
Other Purchased Services								
General Supplies	\$ 5,935	\$ 3,376	4,398		\$ 4,212		\$ 1,634	
Textbooks	-	-	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	<u>5,935</u>	<u>3,376</u>	<u>180,512</u>	<u>16,984</u>	<u>4,212</u>	<u>81,718</u>	<u>1,634</u>	<u>-</u>
Support Services								
Salaries of Supervisors of Instruction			2,250					
Salaries of Other Professional Staff								
Salaries of Sec. and Clerical Assistants			2,474					
Purchased Professional Educational Services								
Purchased Professional Services								
Other Purchased Services								
Supplies and Materials			900		224			
Tuition		313						\$ 5,910
Miscellaneous Expenses	-	-	100	-	-	-	-	-
Total Support Services	<u>-</u>	<u>313</u>	<u>5,724</u>	<u>-</u>	<u>224</u>	<u>-</u>	<u>-</u>	<u>5,910</u>
Personal Services - Employee Benefits								
Social Security Contributions			13,662	1,299		6,251		
Other Retirement	-	-	11,764	1,135	-	5,459	-	-
Total Personnel Services - Employee Benefits	<u>-</u>	<u>-</u>	<u>25,426</u>	<u>2,434</u>	<u>-</u>	<u>11,710</u>	<u>-</u>	<u>-</u>
Facilities Acquisition and Construction Services								
Instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 5,935</u>	<u>\$ 3,689</u>	<u>\$ 211,662</u>	<u>\$ 19,418</u>	<u>\$ 4,436</u>	<u>\$ 93,428</u>	<u>\$ 1,634</u>	<u>\$ 5,910</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Dodge</u>	<u>Title IV Carryover</u>	<u>Title IV</u>	<u>Perkins Vocational Education</u>	<u>Total June 30, 2004</u>
REVENUES					
Other	\$ 2,748				\$ 2,748
State Sources					275,245
Federal Sources	-	\$ 980	\$ 5,383	\$ 21,121	1,040,533
Total Revenues	<u>\$ 2,748</u>	<u>\$ 980</u>	<u>\$ 5,383</u>	<u>\$ 21,121</u>	<u>\$ 1,318,526</u>
EXPENDITURES					
Instruction:					
Salaries of Teachers					\$ 293,930
Other Salaries for Instruction					2,699
Purchased Prof. and Technical Services					133,994
Other Purchased Services					624,665
General Supplies				\$ 15,453	45,855
Textbooks					33,827
Miscellaneous Expenses	-	-	-	-	199
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,453</u>	<u>1,135,169</u>
Support Services					
Salaries of Supervisors of Instruction					2,250
Salaries of Other Professional Staff			\$ 5,000		6,994
Salaries of Secr and Clerical Assistants					2,474
Purchased Professional Educational Services					74,530
Purchased Professional Services					2,375
Other Purchased Services					10,430
Supplies and Materials	\$ 2,748	\$ 980		3,552	32,016
Tuition					8,298
Miscellaneous Expenses	-	-	-	-	100
Total Support Services	<u>2,748</u>	<u>980</u>	<u>5,000</u>	<u>3,552</u>	<u>139,467</u>
Personal Services - Employee Benefits					
Social Security Contributions			383		23,416
Other Retirement					18,358
Total Personnel Services - Employee Benefits	<u>-</u>	<u>-</u>	<u>383</u>	<u>-</u>	<u>41,774</u>
Facilities Acquisition and Construction Services					
Instructional Equipment	-	-	-	2,116	2,116
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,116</u>	<u>2,116</u>
Total Expenditures	<u>\$ 2,748</u>	<u>\$ 980</u>	<u>\$ 5,383</u>	<u>\$ 21,121</u>	<u>\$ 1,318,526</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF DEMONSTRABLY EFFECTIVE PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOT APPLICABLE

**SCHEDULE OF EARLY CHILDHOOD PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOT APPLICABLE

**SCHEDULE OF INSTRUCTIONAL SUPPLEMENT AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004**

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Support Services			
Supplies and Materials	\$ 23,680	\$ 23,612	\$ 68
Total Support	<u>23,680</u>	<u>23,612</u>	<u>68</u>
Facilities Acquisition and Construction			
Instructional Equipment	<u>176</u>	<u>-</u>	<u>176</u>
Total Facilities Acquisition & Construction	<u>176</u>	<u>-</u>	<u>176</u>
Total	<u>\$ 23,856</u>	<u>\$ 23,612</u>	<u>\$ 244</u>
Add: Actual Distance Learning Network Aid Carryover (June 30, 2003)			<u>\$ 23,856</u>
Total Distance Learning Network Aid Available for 2003-2004 Budget			23,856
Less: 2003-2004 Budgeted Distance Learning Network Aid (Including Prior Year Budgeted Carryover)			<u>23,856</u>
Available & Unbudgeted Distance Learning Network Aid Funds as of June 30, 2004			
Add: June 30, 2004 Unexpended Distance Learning Network Aid			<u>244</u>
2004-2005 Actual Carryover - Distance Learning Network Aid			<u>\$ 244</u>
2003-2004 Distance Learning Network Aid Carryover Budgeted in 2004-2005			<u>\$ -</u>

CAPITAL PROJECTS FUND

NUTLEY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2004</u>
		<u>Prior Years</u>	<u>Current Year</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>\$ 117,920</u>	<u>\$ 3,193,024</u>	<u>\$ 1,561,729</u>
Project Balances, June 30, 2004				\$ 1,561,729
Less:				
Debt Authorized But Not Issued			\$ 604	
Unrealized Revenue - State Aid			<u>624,691</u>	
				<u>625,295</u>
Fund Balance, June 30, 2004				<u>\$ 936,434</u>

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PROPRIETARY FUND

EXHIBIT G-1

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 125,962	-	\$ 125,962
Total Assets	<u>\$ 125,962</u>	<u>\$ -</u>	<u>\$ 125,962</u>
LIABILITIES			
Due to Student Groups	\$ 125,962	-	\$ 125,962
Total Liabilities	<u>\$ 125,962</u>	<u>\$ -</u>	<u>\$ 125,962</u>

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**NUTLEY BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2004</u>
ELEMENTARY SCHOOLS				
Lincoln	\$ 3,887	\$ 22,733	\$ 23,403	\$ 3,217
Radcliffe	1,760	8,731	8,481	2,010
Spring Garden	8,345	13,036	16,384	4,997
Washington	1,426	6,970	7,238	1,158
Yantacaw	<u>3,203</u>	<u>10,862</u>	<u>8,240</u>	<u>5,825</u>
	<u>18,621</u>	<u>62,332</u>	<u>63,746</u>	<u>17,207</u>
MIDDLE SCHOOL				
Franklin	<u>12,284</u>	<u>49,693</u>	<u>52,147</u>	<u>9,830</u>
HIGH SCHOOL				
Nutley High School	<u>132,690</u>	<u>220,053</u>	<u>253,818</u>	<u>98,925</u>
TOTAL ALL SCHOOLS	<u>\$ 163,595</u>	<u>\$ 332,078</u>	<u>\$ 369,711</u>	<u>\$ 125,962</u>

NUTLEY BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance, July 1, <u>2003</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2004</u>
Accrued Salaries and Wages, Payroll Deductions and Withholdings	-	\$ 30,381,157	\$ 30,381,157	-
Total	\$ -	\$ 30,381,157	\$ 30,381,157	\$ -

LONG-TERM DEBT

NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<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, 2003</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2004</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	9/1/04-07	\$ 110,000	Various	\$ 550,000		\$ 110,000	\$ 440,000
Renovations at Nutley High School, including acquisition and installation of furnishings, equipment and district wide telephone intercom system and site work	8/15/2003	2,923,000	8/15/05	\$ 105,000	3.700%				
			8/15/06	110,000	3.700%				
			8/15/07	115,000	3.700%				
			8/15/08	120,000	3.700%				
			8/15/09	125,000	3.800%				
			8/15/10	130,000	3.875%				
			8/15/11	135,000	4.000%				
			8/15/12	140,000	4.000%				
			8/15/13	145,000	4.000%				
			8/15/14	150,000	4.000%				
			8/15/15	155,000	4.100%				
			8/15/16	165,000	4.200%				
			8/15/17	170,000	4.300%				
			8/15/18	175,000	4.400%				
			8/15/19	185,000	4.500%				
			8/15/20	190,000	4.600%				
			8/15/21	200,000	4.625%				
			8/15/22	200,000	4.700%				
			8/15/23	208,000	4.700%				
						-	\$ 2,923,000	-	2,923,000
						\$ 550,000	\$ 2,923,000	\$ 110,000	\$ 3,363,000

**NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, July 1, 2003</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2004</u>
School Buses (2)	\$ 78,216		\$ 78,216	\$ 16,738	\$ 61,478
Tractor/Frontloader	54,763		54,763	11,719	43,044
Dump Truck with Plow	40,002	<u>-</u>	<u>40,002</u>	<u>8,560</u>	<u>31,442</u>
		<u>\$ -</u>	<u>\$ 172,981</u>	<u>\$ 37,017</u>	<u>\$ 135,964</u>

NUTLEY BOARD OF EDUCATION
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<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	\$ 128,058		\$ 128,058	\$ 128,058	-
State Sources					
Debt Service Aid Type II	13,760	-	13,760	13,760	-
Total Revenues	<u>141,818</u>	<u>-</u>	<u>141,818</u>	<u>141,818</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest	31,818		31,818	31,818	
Principal	110,000	-	110,000	110,000	-
Total Expenditures	<u>141,818</u>	<u>-</u>	<u>141,818</u>	<u>141,818</u>	<u>-</u>
Excess of Revenues					
Over/(Under) Expenditures					
Other Financing Sources					
Transfers In	-	-	-	6,493	\$ 6,493
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,493</u>	<u>6,493</u>
Excess of Revenues and Other					
Financing Sources Over Expenditures	-	-	-	6,493	6,493
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>\$ 6,494</u>	<u>\$ 6,493</u>

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STATISTICAL SECTION

(UNAUDITED)

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

	<u>2004</u>	<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>
GENERAL FUND										
Instruction										
Regular	\$ 16,489,298	\$ 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
Special	2,110,167	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
Other	621,594	532,749	559,941	547,553	486,379	493,012	453,869	112,070	54,633	51,289
School-Sponsored/Other Instructional	926,005	935,177	903,984	831,119	772,882	639,175	587,532	456,091	453,782	455,269
Total Instruction	<u>20,147,064</u>	<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>
Community Services	<u>2,089</u>	<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>
Undistributed										
Instruction - Tuition	1,772,517	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
Support Services-Students	2,838,976	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
Support Services-Instructional Staff	1,063,675	1,044,790	1,033,906	949,535	1,041,273	1,023,532	963,975	1,001,010	969,716	915,498
General Administration	851,607	849,517	873,725	780,232	784,542	708,391	750,705	709,214	718,448	808,834
School Administration	2,262,072	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
Operations and Maintenance	4,181,729	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
School Transportation	1,258,340	1,132,205	1,158,939	994,092	980,350	990,996	807,890	838,446	772,703	713,220
Business and Other Support Services										
Salaries and Employee Benefits	6,343,587	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
Other	172,509	115,835	328,093	182,827	113,252	94,874	70,917	149,756	62,528	240,183
On-Behalf TPAF Pension Contributions	1,419,403	994,850		561,141	423,528	1,188,398	409,721	537,168	154,463	N/A
On-Behalf TPAF Social Security Contributions	1,678,229	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
Total Undistributed	<u>23,842,644</u>	<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>
Capital Outlay										
Equipment	98,717	114,018	135,425	183,611	158,865	266,716	213,670	226,189	231,131	179,172
Assets Acquired Under Capital Leases	172,981									
Facilities	-	32,788	19,273	280,131	246,771	250,868	341,819	93,123	146,667	148,207
Total Capital Outlay	<u>271,698</u>	<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>
Special Schools	<u>-</u>	<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>
Transfer of Funds to Charter School	<u>-</u>	<u>-</u>	<u>5,016</u>	<u>-</u>	<u>6,594</u>	<u>11,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund Expenditures	<u>44,263,495</u>	<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>
SPECIAL REVENUE FUND										
Local	2,748	1,500								
State	275,117	409,018	451,164	413,686	364,349	338,080	353,227	218,560	203,393	172,464
Federal	1,031,124	872,074	880,080	698,858	650,934	535,880	454,874	438,279	489,842	430,125
Total Special Revenue Expenditures	<u>1,308,989</u>	<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>
DEBT SERVICE FUND	<u>141,818</u>	<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>
Total Governmental Fund Expenditures	<u>\$ 45,714,302</u>	<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>

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 FOUR FISCAL YEARS**

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

		<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
School Facilities	Project #(s)				
Nutley High School	N/A	\$ 196,304	\$ 205,791	\$ 189,012	\$ 208,586
Franklin Middle School	N/A	101,344	95,956	90,455	99,823
Lincoln Elementary School	N/A	34,291	61,793	55,359	61,092
Radcliffe Elementary School	N/A	61,179	40,903	44,540	49,152
Spring Garden Elementary School	N/A	85,534	37,953	45,375	50,074
Washington Elementary School	N/A	117,257	52,187	49,367	54,479
Yantacaw Elementary School	N/A	<u>90,101</u>	<u>44,765</u>	<u>48,974</u>	<u>54,045</u>
Total School Facilities		686,010	539,348	523,082	577,251
Other Facilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total		<u>\$ 686,010</u>	<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>
2004	\$35,213,749	\$ 265,474	\$9,429,261	\$ 1,031,124	\$ 45,939,608
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

*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>	
2003	\$ 71,113,803	\$ 69,886,700	98.27	%
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	

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
2004	\$ 517,753,000	\$ 2,860,513,812	18.10%
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

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>
2004	6.98	4.28	2.85	0.06	14.17
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

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>
2004	27,362	\$ 517,753,000	\$ 3,363,000	0.65%	\$ 122.91
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

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, 2004
(Unaudited)**

<u>Year</u>	<u>Equalized Valuation Basis</u>
2003	\$2,825,862,431
2002	2,393,989,156
2001	<u>2,069,049,228</u>
Average equalized valuation of taxable property	<u>\$2,429,633,605</u>
School borrowing margin (4% of \$2,429,633,605)	\$ 97,185,344
Net school debt as of June 30, 2004	<u>5,302,928</u>
School Borrowing Margin Available	<u>\$ 91,882,416</u>

Source: Township's 2003 Annual Debt Statement

**NUTLEY BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2004
(Unaudited)**

Net Direct Debt of School District as of June 30, 2004		\$ 5,302,928
Net Overlapping Debt of School District		
Township of Nutley	\$ 12,463,907	
Essex County	17,296,520	
Essex County Utilities Authority (A)	5,150,794	
North Jersey District Water Supply Commission (B)	<u>5,504,237</u>	
		<u>40,415,458</u>
Total Direct and Overlapping Debt as of June 30, 2004		<u>\$ 45,718,386</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2004 equalized value by the total 2004 equalized value for Essex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Township of Nutley 2003 Annual Debt Statement
- (2) Essex County 2003 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>	
2004	\$ 110,000	\$ 31,818	\$ 141,818	\$ 45,714,302	.31	%
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	

*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>
2003	4.2	*	28,091
2002	4.2	38,312	28,083
2001	3.1	37,935	27,936
2000	2.7	37,045	27,362
1999	3.3	33,626	25,764
1998	3.2	32,565	25,867
1997	6.5	30,583	25,800
1996	4.5	29,580	25,979
1995	4.4	28,331	26,093
1994	4.7	26,880	26,370

* Accurate information not available.

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

*** Estimates as per U.S. Bureau of the Census , Census 2003

**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	\$ 67,906,800	13.12%
432 Owners Inc.	3,048,200	0.59%
Village Manor Apts.	2,430,000	0.47%
Nutley Shop-Rite	2,498,400	0.48%
Nutley Properties	2,395,000	0.46%
Verizon	1,754,337	0.34%
Proponent Federal Credit Union	1,110,300	0.21%
Arla Associates	973,700	0.19%
Reckson Operating Partners	870,000	0.17%
River Road Association	<u>845,600</u>	<u>0.16%</u>
	<u>\$ 83,832,337</u>	<u>16.19%</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>	
2004	4,199	3,984	-0.14%	94.90	%
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	

Source: School District records

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2004
(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	25,500
	Selective Insurance	149,899,500	100,500
Money and Security Loss	Suburban Essex JIF	25,000	500
	School Pool for Excess Liability Limits JIF	75,000	25,500
	Selective Insurance	149,500	100,500
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	5,000,000	N/A
Interscholastic Sports Disability	People's Benefit Life	550,000	N/A
Voluntary Student Coverage - Excluding Athletes	People's Benefit Life	500,000	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 9,750,000 Cov B	250,000 250,000
Public Official Bonds			
Dave Wilson	Selective	275,000	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, 2004
(Unaudited)**

Area	3 square miles
Number of Schools	
Elementary	5
Middle School	1
Senior High School	<u>1</u>
Total schools	<u>7</u>
Employees	
Certified	363
Other	<u>206</u>
Total employees	<u>569</u>
Teacher/Student Ratio	
Kindergarten	1:25
1-5	1:16
6-8	1:16
9-12	1:15
Special Education	1:05
Student Count	4,217

Source: School District's records

**NUTLEY BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST THREE 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>
2004	\$ 53,361	\$ 65,034	\$ 92,556	\$ 13,283	\$ 17,713	\$ 20,779	\$ 262,726
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

TELEPHONE (201) 791-7100

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CHRISTINE CORRUBIA, CPA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA

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 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, 2004, which collectively comprise the Nutley Board of Education's basic financial statements and have issued our report thereon dated October 18, 2004. 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.

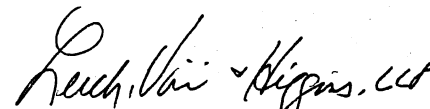
Compliance

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 18, 2004.

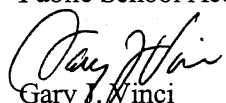
Internal Control Over Financial Reporting

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 opinions 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 18, 2004.

This report is intended solely for the information and use of the Board of Trustees, management, 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 J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
October 18, 2004

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA, PSA

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 04-04

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, 2004. 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 04-04, "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, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.


Internal Control Over Compliance

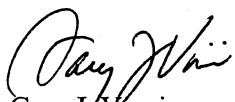
The management of Nutley Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Nutley 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 04-04.

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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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, the reportable condition identified above is considered to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, 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 J. Vinci
 Public School Accountant
 PSA Number CS00829

Fair Lawn, New Jersey
 October 18, 2004

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2003	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance June 30, 2004		
										(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education Passed Through State Department of Education												
<u>Special Revenue Fund:</u>												
Title I	84.010	9/1/03-8/31/04	\$ 227,535			\$ 227,535	\$ 211,662				\$ 15,873	
Title I	84.010	9/1/02-8/31/03	230,160	\$ 19,616	\$ (19,616)							
Title I, Carryover	84.010	9/1/02-8/31/03	230,160		19,616		19,418				198	
Title III Part A	84.365	9/1/03-8/31/04	12,429			12,429	3,689				8,740	
Title III	84.365	9/1/02-8/31/03	12,176	7,325	(7,325)							
Title III, Carryover	84.365	9/1/02-8/31/03	12,176		7,325		5,935				1,390	
Title V Part A	84.298	9/1/03-8/31/04	19,239			19,239	4,436				14,803	
Title V	84.298	9/1/02-8/31/03	19,515	2,849	(2,849)							
Title V, Carryover	84.298	9/1/02-8/31/03	19,515		2,849		1,634				1,324	
Title VI - Class Size Reduction, Carryover	84.340	9/1/01-8/31/02	59,552	2,146				\$ 2,146	\$ 109			
IDEA Part B	84.027	9/1/03-8/31/04	630,732			630,732	601,058				29,674	
IDEA Part B	84.027	9/1/02-8/31/03	519,276	33,728	(33,728)							
IDEA Part B, Carryover	84.027	9/1/02-8/31/03	519,276		33,728		30,031				3,697	
IDEA Part B Preschool	84.027	9/1/03-8/31/04	26,756			26,756	26,756					
IDEA Part B Preschool	84.027	9/1/02-8/31/03	26,085	607	(607)							
IDEA Part B Preschool, Carryover	84.027	9/1/02-8/31/03	26,085		607						607	
IDEA Part B Preschool, Carryover	84.027	9/1/01-8/31/02	27,657	2,149				2,149				
Carl D. Perkins- Secondary	84.048	7/1/03-6/30/04	21,215			21,215	21,121				94	
Carl D. Perkins- Secondary	84.048	7/1/01-6/30/02	18,891									
Title IV Part A	84.188	9/1/03-8/31/04	15,055			15,055	5,383				9,672	
Title IV (Drug Education)	84.188	9/1/02-8/31/03	16,092	1,635	(1,635)							
Title IV (Drug Education), Carryover	84.188	9/1/02-8/31/03	16,092		1,635		980				655	
Title II Part A	84.367	9/1/03-8/31/04	102,243			102,243	93,428				8,815	
Title II Part A	84.367	9/1/02-8/31/03	100,826	23,755	(23,755)							
Title II Part A, Carryover	84.367	9/1/02-8/31/03	100,826		23,755		5,910				17,845	
Title II Part D	84.168	9/1/03-8/31/04	5,780			5,780	4,247				1,533	
Title II Part D	84.168	9/1/02-8/31/03	6,561	6,561	(6,561)							
Title II Part D, Carryover	84.168	9/1/02-8/31/03	6,561		6,561		4,845				1,716	
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				100,188	-	1,060,984	1,040,533	4,295	109	(441)	116,636	258
U.S.D.A. Department of Agriculture Passed Through State Department of Education												
<u>Enterprise Fund:</u>												
Food Distribution Program	10.550	7/1/02-6/30/03	15,157	4,649			4,649					
Food Distribution Program	10.550	7/1/03-6/30/04	24,857			24,260	20,208				4,052	
National School Lunch Program	10.555	7/1/02-6/30/03	62,361	(11,302)		11,302				-		
National School Lunch Program	10.555	7/1/03-6/30/04	67,845	-	-	64,331	67,845	-	-	(3,514)	-	-
Total Enterprise Fund				(6,653)	-	99,893	92,702	-	-	(3,514)	4,052	-
Total Federal Financial Awards				\$ 93,535	\$ -	\$ 1,160,877	\$ 1,133,235	\$ 4,295	\$ 109	\$ (3,955)	\$ 120,688	\$ 258

(A)- Encumbrances Cancelled

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Grant or State Project Number	Grant	Award Amount	Balance June 30, 2003	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustments	Balance June 30, 2004			MEMO	
										(Accts. Receivable)	Deferred Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
State Department of Education														
General Fund:														
Core Curriculum Aid	04-495-034-5120-022	7/1/03-6/30/04	\$2,799,975			\$ 2,668,956	\$ 2,799,975			\$ (131,019)				\$ 2,799,975
Core Curriculum Aid	03-495-034-5120-022	7/1/02-6/30/03	2,799,975	\$ (131,199)		131,199								
Transportation Aid	04-495-034-5120-024	7/1/03-6/30/04	345,006			328,862	345,006			(16,144)				345,006
Transportation Aid	03-495-034-5120-024	7/1/02-6/30/03	345,006	(16,166)		16,166								
Special Education Aid	04-495-034-5120-011	7/1/03-6/30/04	2,235,481			2,130,876	2,235,481			(104,605)				2,235,481
Special Education Aid	03-495-034-5120-011	7/1/02-6/30/03	2,235,481	(104,748)		104,748								
Bilingual Education	04-495-034-5120-008	7/1/03-6/30/04	65,426			62,365	65,426			(3,061)				65,426
Bilingual Education	03-495-034-5120-008	7/1/02-6/30/03	65,426	(3,066)		3,066								
Academic Achievement Award	02-100-034-5120-344	7/1/02-6/30/03	44,426	(2,082)		2,082								
Consolidated Aid	04-495-034-5120-053	7/1/03-6/30/04	475,088			452,857	475,088			(22,231)				475,088
Extraordinary Aid	04-495-034-5120-044	7/1/03-6/30/04	193,227			193,227				(193,227)				193,227
Extraordinary Aid	03-495-034-5120-044	7/1/02-6/30/03	57,386	(57,386)		198,961	141,575							141,575
TPAF Pension Contribution	04-495-034-5095-056	7/1/03-6/30/04	994,850			1,419,403	1,419,403							1,419,403
TPAF Social Security Contribution	04-495-034-5095-002	7/1/03-6/30/04	1,628,761	-	-	1,593,869	1,678,229	-	-	(84,360)	-	-	\$ 84,360	1,678,229
Total General Fund				(314,647)	-	9,113,410	9,353,410	-	-	(554,647)	-	-	84,360	9,353,410
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbooks	04-100-034-5120-064	7/1/03-6/30/04	35,075			35,075	33,827				\$ 1,248			33,827
Textbooks	03-100-034-5120-064	7/1/02-6/30/03	33,347	219				\$ 219						
Auxiliary Services														
Compensatory Education	04-100-034-5120-067	7/1/03-6/30/04	84,314			84,314	68,561				15,753			68,561
Compensatory Education	03-100-034-5120-067	7/1/02-6/30/03	80,025	20,191				20,191						
Compensatory Education	00-100-034-5120-067	7/1/99-6/30/00	90,611	(340)						(340)			(340)	
English as a Second Language	04-100-034-5120-067	7/1/03-6/30/04	3,822			3,822	255				3,567			255
Transportation	04-100-034-5120-067	7/1/03-6/30/04	10,430			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	04-100-034-5120-066	7/1/03-6/30/04	22,867			22,867	16,030				6,837			16,030
Supplemental Instruction	03-100-034-5120-066	7/1/02-6/30/03	19,094	3,849				3,849						
Examination and Classification	04-100-034-5120-066	7/1/03-6/30/04	36,160			36,160	24,211				11,949			24,211
Examination and Classification	03-100-034-5120-066	7/1/02-6/30/03	29,403	8,699				\$ 8,699						
Corrective Speech	04-100-034-5120-066	7/1/03-6/30/04	45,954			45,954	25,588				20,366			25,588
Corrective Speech	03-100-034-5120-066	7/1/02-6/30/03	36,943	6,669				6,669						
Nonpublic Nursing	04-100-034-5120-070	7/1/03-6/30/04	40,918			40,918	40,918							40,918
Nonpublic Technology Initiative	04-100-034-5120-373	7/1/03-6/30/04	23,560			23,560	23,560							23,560
Nonpublic Technology Initiative	00-100-034-5120-373	7/1/99-6/30/00	27,000	(354)						(354)			(354)	
Character Education	04-100-034-5120-053	7/1/03-6/30/04	11,609			11,609	2,770			\$ 8,839				2,770
Character Education	03-100-034-5120-053	7/1/02-6/30/03	11,427	5,482			5,482							5,482
Character Education	02-100-034-5120-053	7/1/01-6/30/02	11,346	1		1								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	11,448		9,100	20,304				244			20,304
Distance Learning Network	02-100-034-5120-348	7/1/01-6/30/02	182,003	3,308	-	-	3,308	-	-	-	-	-	-	3,308
Total Special Revenue Fund				58,881	-	324,215	275,245	39,627	-	(694)	9,083	59,835	(694)	275,245
Capital Projects Fund														
Educational Facilities														
Construction and Financing Act	3750-050-03-1027	7/1/03-6/30/04	1,949,069	-	-	9,745	1,324,378	-	-	(1,939,324)	624,691	-	1,939,324	1,324,378
Debt Service Fund:														
Debt Service Aid Type II	04-495-034-5120-017	7/1/03-6/30/04	13,760	-	-	13,760	13,760	-	-	-	-	-	-	13,760
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program	03-100-034-5120-122	7/1/02-6/30/03	6,184	(1,078)		1,078								
National School Lunch Program	04-100-034-5120-122	7/1/03-6/30/04	6,200	-	-	5,229	6,200	-	-	(971)	-	-	-	6,200
				(1,078)	-	6,307	6,200	-	-	(971)	-	-	-	6,200
Total State Financial Assistance				\$ (256,844)	\$ -	\$ 9,467,437	\$ 10,972,993	\$ 39,627	\$ -	\$ (2,495,636)	\$ 633,774	\$ 59,835	\$ 2,022,990	\$ 10,972,993

(A) Encumbrances Cancelled

**NUTLEY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 certain state aid payments 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 certain 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, which may include the deferred state aid payment, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$213,026 for the general fund and \$9,537 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 as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 9,140,384	\$ 9,140,384
Special Revenue Fund	\$ 1,031,124	275,117	1,306,241
Capital Projects Fund		1,324,378	1,324,378
Debt Service Fund		13,760	13,760
Food Service Fund	<u>92,702</u>	<u>6,200</u>	<u>98,902</u>
Total Financial Assistance	<u>\$ 1,123,826</u>	<u>\$ 10,759,839</u>	<u>\$ 11,883,665</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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. 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, 2004. The amount reported as TPAF Pension Contributions represent the amount paid by the State on behalf of the District for the year ended June 30, 2004.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 basic 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)

84.027

Name of Federal Program or Cluster

IDEA Part B

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

\$300,000

Auditee qualified as low-risk auditee?

X yes _____ no

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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?

 X yes no

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

 X yes 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 04-04?

 X yes no

Identification of major state programs:

GMIS Number(s)
04-495-034-5120-057
04-495-034-5120-044
04-495-034-5120-014
3750-050-03-1027

Name of State Program
Consolidated Aid
Extraordinary Aid
Transportation Aid
Educational Facilities
Construction and Financing Act

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

\$300,000

Auditee qualified as low-risk auditee?

 X yes no

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004**

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 04-04, as amended.

CURRENT YEAR FEDERAL AWARDS

There are none.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 04-04, as amended.

CURRENT YEAR STATE AWARDS

2004-1

Our audit of transported students revealed that students were reported as a special needs student if there was an aide on the school bus. State directives indicate that a student can only be included as a special need if the need is specified in the student's Individualized Education Plan (I.E.P.).

State Program Information

Transportation Aid

Criteria or Specific Requirements

Grant Requirements

Condition

Students were reported as special needs. A special need was not specified in the student's Individualized Education Plan (I.E.P.).

Questioned Costs

Unknown.

Context

Special needs of transported students should only be reported if the need is specified in the I.E.P.

Effect

Transportation aid may be adjusted.

Recommendation

Only those students with special needs stated in his/her Individualized Education Plan (I.E.P.) be counted as a special need student for transportation purposes.

**NUTLEY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 04-04.

STATUS OF PRIOR YEAR FINDINGS

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.

Status

Corrective action was taken.

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.

Status

See Auditor's Management Report.