

**NUTLEY BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Nutley, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Nutley Board of Education**

**Nutley, New Jersey**

**For The Fiscal Year Ended June 30, 2006**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**

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**Administrative Office**  
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**Nutley, New Jersey 07110**

Robert A. Green, Jr.  
Business Administrator/Board Secretary

Phone: 973-661-8797  
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September 15, 2006

Honorable President and  
Trustees of the Board of Education  
Nutley Public Schools  
Essex County, New Jersey

Dear Trustees:

State Department of Education statutes require that all local school districts 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, 2006.

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, 2006, 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, 2006, 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 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). 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 2005-06 fiscal year with an average daily enrollment of 4,180 students, which is 53 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>
2005-06	4,180	(1.3%)
2004-05	4,235	0.8%
2003-04	4,199	(0.1%)
2002-03	4,204	2.2%
2001-02	4,112	2.0%

**2) ECONOMIC CONDITION AND OUTLOOK:** The Township completed a revaluation of real property during the 2005 calendar year. The current net taxable valuation of the Township is in excess of \$4.1 billion.

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. The district has 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. 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. The district plans to go out for another referendum in December 2006 for renovations to all Elementary Schools and the Nutley High School.

Labor force statistics for 2005 noted an unemployment rate of 3.6%, which was below the county average of 5.6%.

**3) MAJOR INITIATIVES:** The 2005-06 school year was a successful one for the Nutley School 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 2006, with 98.0% of Nutley's students passing the language arts section, and 92.9% of our students passing the math section.

SAT critical reading scores exceeded state averages by seven points and national averages were consistent with Nutley students. Results in math scores exceeded state averages by 16 points and national averages by 13 points. Results in writing scores exceeded state averages by 10 points and national averages by nine points.

The Grade Eight Proficiency Assessment (GEPA) was administered in March 2006. Nutley pupils were ranked proficient or advanced proficient as follows: Math – 80.3%, Language Arts – 91.8%, Science – 94.4%.

The NJ Assessment of Skills & Knowledge – Grade 3 (NJASK 3) is given to all third graders. For the 2006 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 98.8%; Language Arts – 97.1%.

The NJ Assessment of Skills & Knowledge – Grade 4 (NJASK 4) is given to all fourth

The NJ Assessment of Skills & Knowledge – Grade 4 (NJASK 4) is given to all fourth graders. For the 2006 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 93.3%; Language Arts – 90.3%; Science – 93.3%.

The NJ Assessment of Skills & Knowledge – Grade 5 (NJASK 5) is given to all third graders. For the 2006 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 96.6%; Language Arts – 95.9%.

The NJ Assessment of Skills & Knowledge – Grade 6 (NJASK 6) is given to all third graders. For the 2006 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 90.0%; Language Arts – 96.2%.

The NJ Assessment of Skills & Knowledge – Grade 7 (NJASK 7) is given to all third graders. For the 2006 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 77.0%; Language Arts – 97.0%.

The graduating class of 2006 had 88.2% of its members going on to post-secondary education. 70% will be attending four-year colleges and universities. Scholarships and grants awarded to 2006 graduates were approximately \$2.8 million. The District had two finalists for the National Merit Scholarship, 11 commended students for the National Merit Scholarship, Two National Hispanic Recognition Program distinctions, 20 Edward J. Bloustein Distinguished Scholars and Five Advanced Placement Scholars.

In extra-curricular activities, Nutley continues to outpace the majority of New Jersey districts as evidenced by a budget of \$235 per pupil compared to a statewide average for K-12 of \$218. 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 for grades 1 & 2 Literacy, grade 8 Social Studies, Forensic Science, G.A.T.E Committee, Mathematics and Technology. Professional Development activities included in-service and out-of-district seminars and workshops in introduction to differentiated instruction, Wilson Reading, computer email and network basics on PC's, email workshops, EZ grade pro workshops, kidspiration, professional development/mentoring for new teachers and technology/special services workshops for new teachers.

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 2006, the district spent \$9,411 per pupil compared to a statewide K-12 average of \$11,241. The Guide also reported that the district's budget for 2005-06 was based on \$9,550 per pupil, compared to the New Jersey state average of \$11,673.

The school district was certified by the New Jersey State Board of Education in January 2006. This certification is in effect until February, 2013.

**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, 2006.

**6) DEBT ADMINISTRATION:** As of June 2006, the District's outstanding debt is \$20,070,329 which includes \$17,633,000 of school bonds. The general obligation bonds were issued to finance the following projects: (i) 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; (ii) a district wide telephone and intercom system as well as renovations at Nutley High School, including acquisition and installation of furnishings and equipment; (iii) major renovations/additions to the Franklin Middle School, including a new cafeteria, gymnasium, music rooms, media center, classroom & science lab renovations, resurfacing parking lot, electrical, heating, plumbing upgrades, new bathroom facility upgrades, new windows and a new roof.

**7) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements". 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, LLP was selected by the Board at a public meeting held on May 5, 2005. 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, as Amended and related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditors' report on the basic financial statements, 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.

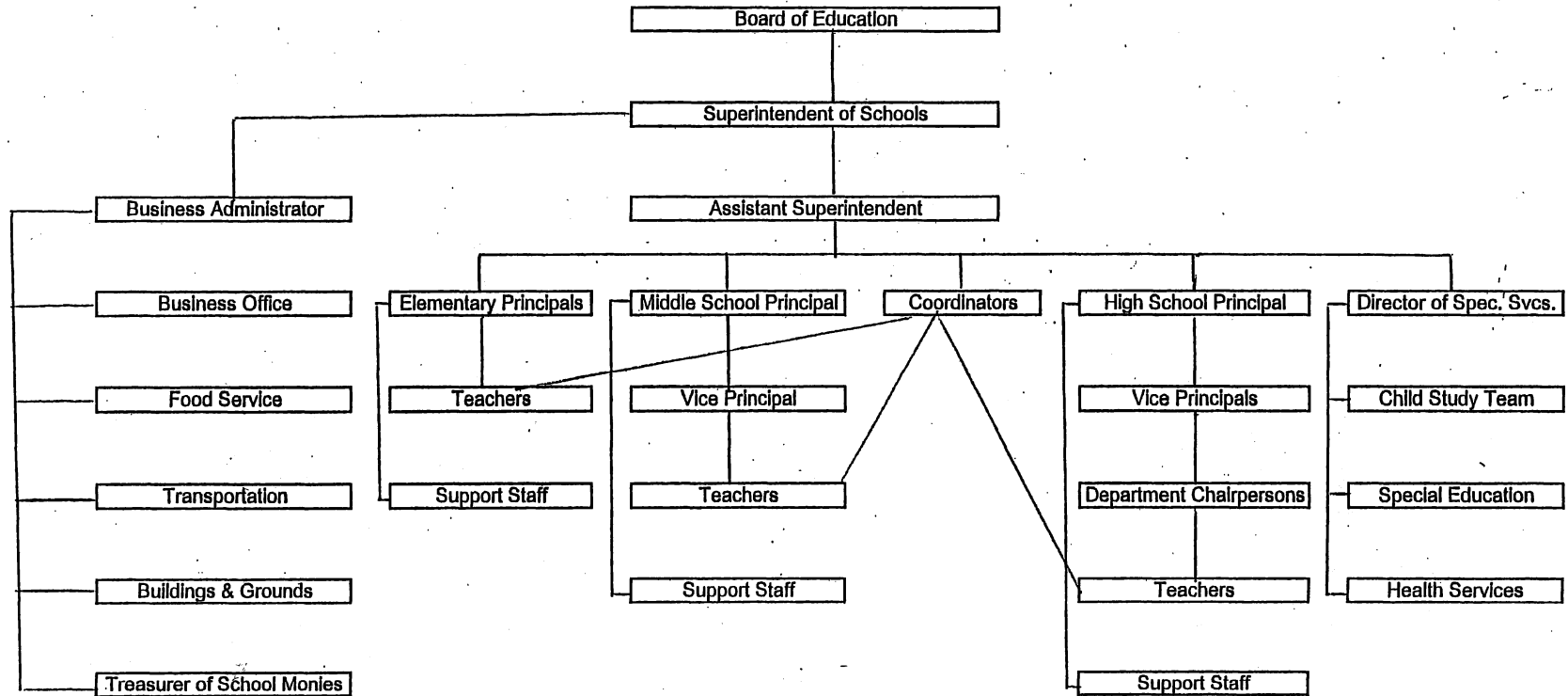
**10) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Nutley Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of 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,

  
**JOSEPH ZARRA**  
Superintendent of Schools

  
**ROBERT A. GREEN, JR.**  
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, 2006**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Sal Olivo, President	2008
Gerard Del Tufo, Vice-President	2008
Maria Alamo	2009
Philip T. Casale	2007
Vincent Moscaritola	2008
Gerald M. Parisi	2007
Kenneth J. Reilly	2007
James Viola	2009
Patricia Williams	2009

### **Other Officials**

Joseph Zarra, Superintendent

Dennis M. Oblack, CPA, School Business Administrator/Board Secretary (July 2005-January 2006)

John Sincaglia, Interim School Business Administrator (February 2006 to May 2006)

Robert A. Green, Jr. School Business Administrator/Board Secretary (June 2006)

David Wilson, Treasurer of School Monies

Frank Pomaco, Esq., Solicitor

**NUTLEY BOARD OF EDUCATION**  
Consultants and Advisors

**Attorney**

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

**Independent Auditors**

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17-17 Route 208  
Fair Lawn, NJ 07410

**Medical Inspector**

Dr. Barry Prystowski  
562 Kingsland Street  
Nutley, NJ 07110

**Official Depository**

Commerce Bank  
575 Kingsland Street  
Nutley, NJ 07110



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## **FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JOSEPH F. KELLY, CPA, RMA, PSA  
DONNA L. JAPHET, 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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nutley Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes 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, 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 August 18, 2006 on our consideration of the Nutley Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 and individual nonmajor 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 and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
August 18, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **NUTLEY BOARD OF EDUCATION**

### **Management's Discussion and Analysis**

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, 2006. 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 2005-2006 fiscal year include the following:

- The net assets of the Nutley Board of Education exceeded its liabilities at the close of the fiscal year by \$6,747,443.
- Overall district revenues were \$57,444,221. General revenues accounted for \$44,383,809 or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13,060,412 or 23% of total revenues.
- The school district had \$50,862,638 in expenses for governmental activities; only \$11,502,492 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$44,117,329 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 \$11,224,484.
- The General Fund fund balance at June 30, 2006 was \$2,290,697, an increase of \$828,169 over the June 30, 2005 balance.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' 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

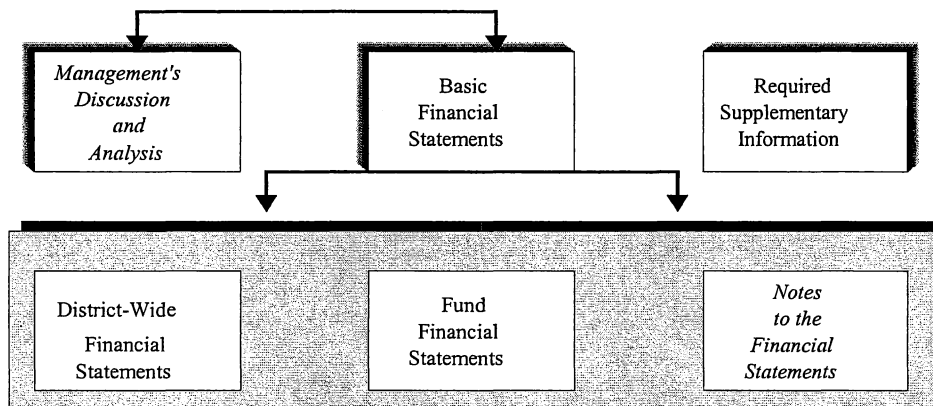
## Management's Discussion and Analysis

### 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

## Management's Discussion and Analysis

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: and enterprise funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities
Required financial statements	Statements of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of 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

## Management's Discussion and Analysis

### 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

## Management's Discussion and Analysis

### 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 basic 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 \$6,747,443 as of June 30, 2006. See Table A-1.

# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

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 are 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, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 19,134,042	\$ 24,761,069	\$ 313,472	\$ 209,540	\$ 19,447,514	\$ 24,970,609
Capital Assets, Net	<u>15,563,045</u>	<u>7,149,781</u>	<u>16,034</u>	<u>10,489</u>	<u>15,579,079</u>	<u>7,160,270</u>
<b>Total Assets</b>	<u>34,697,087</u>	<u>31,910,850</u>	<u>329,506</u>	<u>220,029</u>	<u>35,026,593</u>	<u>32,130,879</u>
Long-Term Liabilities	20,070,329	20,703,729			20,070,329	20,703,729
Other Liabilities	<u>8,178,627</u>	<u>9,516,173</u>	<u>30,194</u>	<u>6,540</u>	<u>8,208,821</u>	<u>9,522,713</u>
<b>Total Liabilities</b>	<u>28,248,956</u>	<u>30,219,902</u>	<u>30,194</u>	<u>6,540</u>	<u>28,279,150</u>	<u>30,226,442</u>
Net Assets						
Invested in capital assets, net of related debt	6,629,772	2,845,719	16,034	10,489	6,645,806	2,856,208
Restricted	174,518	121,878			174,518	121,878
Unrestricted	<u>(356,159)</u>	<u>(1,276,649)</u>	<u>283,278</u>	<u>203,000</u>	<u>(72,881)</u>	<u>(1,073,649)</u>
<b>Total Net Assets</b>	<u>\$ 6,448,131</u>	<u>\$ 1,690,948</u>	<u>\$ 299,312</u>	<u>\$ 213,489</u>	<u>\$ 6,747,443</u>	<u>\$ 1,904,437</u>

# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

**Table A-2**  
**Change in Net Assets**  
**For The Fiscal Years Ended June 30, 2006 and 2005**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 203,002	\$ 213,033	\$ 1,436,548	\$ 1,444,600	\$ 1,639,550	\$ 1,657,633
Operating Grants and Contributions	7,948,034	7,556,423	121,372	117,204	8,069,406	7,673,627
Capital Grants and Contributions	3,351,456	1,054,715			3,351,456	1,054,715
General Revenues						
Property Taxes	40,168,989	37,221,009			40,168,989	37,221,009
State Aid	3,474,088	3,459,426			3,474,088	3,459,426
Other	739,252	500,117	1,480	2,336	740,732	502,453
<b>Total Revenues and Transfers</b>	<u>55,884,821</u>	<u>50,004,723</u>	<u>1,559,400</u>	<u>1,564,140</u>	<u>57,444,221</u>	<u>51,568,863</u>
<b>Expenses</b>						
Instruction						
Regular	23,959,344	23,414,355			23,959,344	23,414,355
Special Education	6,022,468	5,601,278			6,022,468	5,601,278
Other Instruction	719,701	1,376,348			719,701	1,376,348
School Sponsored Activities and Athletics	1,008,341	1,022,645			1,008,341	1,022,645
Community Services	7,376	6,779			7,376	6,779
Support Services						
Student and Instruction Related Services	5,610,289	4,112,190			5,610,289	4,112,190
School Administrative Services	1,050,539	1,234,261			1,050,539	1,234,261
General Administrative Services	3,212,514	3,008,732			3,212,514	3,008,732
Plant Operations and Maintenance	5,386,167	5,128,519			5,386,167	5,128,519
Pupil Transportation	1,942,437	1,887,946			1,942,437	1,887,946
Business and Other Support Services	1,189,966	1,207,607			1,189,966	1,207,607
Special Schools						-
Interest on Long-Term Debt	753,496	414,810			753,496	414,810
Food Services			964,209	934,786	964,209	934,786
Child Care	-	-	774,368	921,460	774,368	921,460
<b>Total Expenses</b>	<u>50,862,638</u>	<u>48,415,470</u>	<u>1,738,577</u>	<u>1,856,246</u>	<u>52,601,215</u>	<u>50,271,716</u>
Change in Net Assets	5,022,183	1,589,253	(179,177)	(292,106)	4,843,006	1,297,147
Transfers and special items	(265,000)	(276,805)	265,000	273,400	-	(3,405)
Net Assets, Beginning of Year	<u>1,690,948</u>	<u>378,500</u>	<u>213,489</u>	<u>232,195</u>	<u>1,904,437</u>	<u>610,695</u>
Net Assets, End of Year	<u>\$ 6,448,131</u>	<u>\$ 1,690,948</u>	<u>\$ 299,312</u>	<u>\$ 213,489</u>	<u>\$ 6,747,443</u>	<u>\$ 1,904,437</u>

## NUTLEY BOARD OF EDUCATION

### Management's Discussion and Analysis

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$55,619,821 for the year ended June 30, 2006 a 12 percent increase from the previous year. Property taxes of \$40,168,989 represented 72 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal, Local and formula aid was \$14,773,578. 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 \$50,862,638. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$31,717,230 (62%) of total expenditures. Student support services, exclusive of administration, total \$5,610,289 or (11%) of total expenditures (See Table A-4).

Total governmental activities revenues surpassed expenses and transfers, increasing net assets \$4,757,183 from the previous year.

Table A-3 Revenues by Source- Governmental Activities  
For Fiscal Year 2006

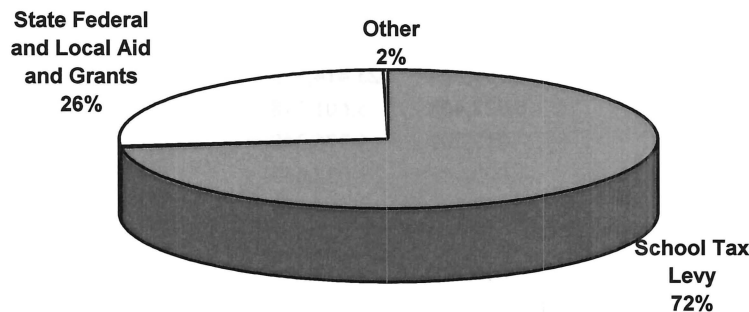
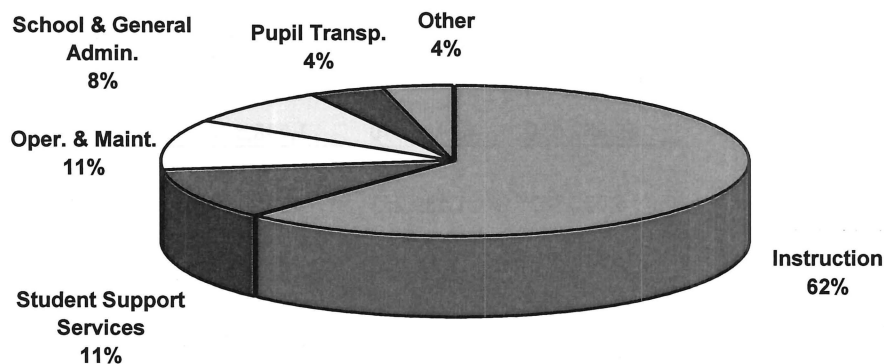


Table A-4 Expenditures by Type- Governmental Activities  
For Fiscal Year 2006



# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

**Net Cost of Governmental Activities.** The District's total cost of services was \$50,862,638. After applying program revenues, derived from charges for services of \$203,002; operating grants and contributions of \$7,948,034; and capital grants and contribution of \$3,351,456, the net cost of services of the District is \$39,360,146 See Table A-5.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Instruction				
Regular	\$ 23,959,344	\$ 23,414,355	\$ 20,744,304	\$ 19,910,774
Special Education	6,022,468	5,601,278	2,827,267	2,568,108
Other Instruction	719,701	1,376,348	654,521	1,111,164
School Sponsored Activities and Athletics	1,008,341	1,022,645	878,114	1,000,830
Community Services	7,376	6,779	7,376	6,779
Support Services				
Student and Instruction Related Services	5,610,289	4,112,190	4,761,164	3,946,818
School Administrative Services	1,050,539	1,234,261	774,699	1,192,576
General Administrative Services	3,212,514	3,008,732	3,175,310	2,759,795
Plant Operations and Maintenance	5,386,167	5,128,519	2,139,711	4,073,804
Pupil Transportation	1,942,437	1,887,946	1,474,615	1,429,463
Business and Other Support Services	1,189,966	1,207,607	1,169,569	1,176,378
Special Schools				
Interest on Long-Term Debt	<u>753,496</u>	<u>414,810</u>	<u>753,496</u>	<u>414,810</u>
Total	<u>\$ 50,862,638</u>	<u>\$ 48,415,470</u>	<u>\$ 39,360,146</u>	<u>\$ 39,591,299</u>

**Business-Type Activities** – The District's total business-type activities revenues were \$1,559,400 for the year ended June 30, 2006. 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 \$1,738,577. 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 \$85,823 over the last year.

# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

### 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 \$11,224,484. At June 30, 2005, the fund balance was \$15,544,796. This significant decrease is predominately attributable to the expenditures of the District's capital project fund. The bonds to finance this project were previously issued during the 2004/05 school year.

Revenues for the District's governmental funds were \$55,884,821, while total expenses were \$60,078,929.

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

The following schedule presents a summary of General Fund revenues.

	<u>Year Ended</u>		<u>Increase</u>	<u>Percentage</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>(Decrease)</u>	<u>of Total</u>
Local Sources				
Property Tax Levy	\$ 38,865,016	\$ 36,914,550	\$ 1,950,466	5%
Tuition	90,842	99,750	(8,908)	-9%
Miscellaneous	851,412	596,643	254,769	43%
State Sources	<u>10,139,312</u>	<u>9,585,608</u>	<u>553,704</u>	6%
Total General Fund Revenues	<u>\$ 49,946,582</u>	<u>\$ 47,196,551</u>	<u>\$ 2,750,031</u>	6%

Total General Fund Revenues increased by \$2,750,031 or 6% over the previous year.

Local property taxes remained stable, increasing 5% over the previous year. State aid revenues increased \$553,704 or 6% predominantly attributable to State On-behalf TPAF Pension contributions.

## NUTLEY BOARD OF EDUCATION

### Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	Year Ended		Increase	Percentage
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>(Decrease)</u>	<u>of Total</u>
Instruction	\$ 30,998,404	\$ 30,153,666	\$ 844,738	3%
Support Services	17,694,583	16,329,664	1,364,919	8%
Capital Outlay	206,857	185,017	21,840	12%
Debt Service	<u>92,365</u>	<u>54,210</u>	<u>38,155</u>	
Total Expenditures	<u>\$ 48,992,209</u>	<u>\$ 46,722,557</u>	<u>\$ 2,269,652</u>	5%

Total General Fund expenditures increased \$2,269,652 or 5% from the previous year. Most 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 2005-2006 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$828,169. As a result, total fund balance increased to \$2,290,697 at June 30, 2006. After deducting statutory reserves and designations, the unreserved undesignated fund balance increased from \$590,878 at June 30, 2005 to \$622,774 at June 30, 2006.

**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 \$1,270,403, for the year ended June 30, 2006. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 77% of the total revenue for the year.

Expenditures of the Special Revenue Fund were \$1,270,403. Instructional expenditures were \$628,490 and for the support services expenditures were \$641,913.

**Capital Projects** - Expenditures exceeded revenues by \$5,141,988 resulting in a fund balance of \$8,918,532 at June 30, 2006.



# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

### 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 unanticipated salary and maintenance expenditures.

### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$15,579,079 (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 2005-06 amounted to \$287,037 for governmental activities and \$1,610 for business-type activities.

Table A-6  
Capital Assets at June 30, 2006 and 2005  
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 79,932	\$ 79,932			\$ 79,932	\$ 79,932
Buildings	4,968,286	102,424			4,968,286	102,424
Machinery and Equipment	791,727	773,192	\$ 16,034	\$ 10,489	807,761	783,681
Construction in Progress	9,723,100	6,194,233	-	-	9,723,100	6,194,233
<b>Total Capital Assets (Net)</b>	<b>\$ 15,563,045</b>	<b>\$ 7,149,781</b>	<b>\$ 16,034</b>	<b>\$ 10,489</b>	<b>\$ 15,579,079</b>	<b>\$ 7,160,270</b>

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

## **NUTLEY BOARD OF EDUCATION**

### **Management's Discussion and Analysis**

#### **LONG TERM LIABILITIES**

At year end, the District's long-term liabilities consisted of compensated absences payable of \$2,218,525, capital leases payable of \$218,804 and bonds payable of \$17,633,000.

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

**Table A-7**  
**Outstanding Long-Term Liabilities**

	<u>2006</u>	<u>2005</u>
Serial Bonds Payable	\$ 17,633,000	\$ 18,183,000
Capital Leases	218,804	160,919
Compensated Absences	<u>2,218,525</u>	<u>2,359,810</u>
Total Expenditures	<u>\$ 20,070,329</u>	<u>\$ 20,703,729</u>

#### **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.

Many factors were considered by the District's administration during the process of developing the fiscal year 2006-2007 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.

#### **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**

**NUTLEY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,839,647	\$ 256,422	\$ 10,096,069
Receivables, net			
Receivables from Other Governments	9,168,595	6,383	9,174,978
Other	2,907	6,741	9,648
Inventory		7,556	7,556
Internal Balances	(36,370)	36,370	
Restricted Assets			
Capital Reserve Account - Cash	159,263		159,263
Capital Assets			
Not Being Depreciated	9,803,032		9,803,032
Being Depreciated, Net	<u>5,760,013</u>	<u>16,034</u>	<u>5,776,047</u>
Total Assets	<u>34,697,087</u>	<u>329,506</u>	<u>35,026,593</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	2,429,176	27,063	2,456,239
Payable to State Government	35,853		35,853
Accrued Interest Payable	269,068		269,068
Deferred Revenue	5,444,530	3,131	5,447,661
Noncurrent Liabilities			
Due within one year	753,498		753,498
Due beyond one year	<u>19,316,831</u>	<u>-</u>	<u>19,316,831</u>
Total Liabilities	<u>28,248,956</u>	<u>30,194</u>	<u>28,279,150</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	6,629,772	16,034	6,645,806
Restricted for			
Debt Service	15,255		15,255
Capital Projects	159,263		159,263
Unrestricted	<u>(356,159)</u>	<u>283,278</u>	<u>(72,881)</u>
Total Net Assets	<u>\$ 6,448,131</u>	<u>\$ 299,312</u>	<u>\$ 6,747,443</u>

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

**NUTLEY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 23,959,344	\$ 29,803	\$ 3,185,237		\$ (20,744,304)		\$ (20,744,304)
Special Education	6,022,468	61,039	3,134,162		(2,827,267)		(2,827,267)
Other Instruction	719,701		65,180		(654,521)		(654,521)
School Sponsored Activities and Athletics	1,008,341		25,227	\$ 105,000	(878,114)		(878,114)
Community Services	7,376				(7,376)		(7,376)
Support Services							
Student and Instruction Related Services	5,610,289		849,125		(4,761,164)		(4,761,164)
School Administrative Services	1,050,539		275,840		(774,699)		(774,699)
General Administrative Services	3,212,514		37,204		(3,175,310)		(3,175,310)
Plant Operations and Maintenance	5,386,167			3,246,456	(2,139,711)		(2,139,711)
Pupil Transportation	1,942,437	112,160	355,662		(1,474,615)		(1,474,615)
Business Services	1,189,966		20,397		(1,169,569)		(1,169,569)
Interest on Long-Term Debt	753,496	-	-	-	(753,496)	-	(753,496)
<b>Total Governmental Activities</b>	<b>50,862,638</b>	<b>203,002</b>	<b>7,948,034</b>	<b>3,351,456</b>	<b>(39,360,146)</b>	<b>-</b>	<b>(39,360,146)</b>
<b>Business-Type Activities</b>							
Food Service	964,209	596,965	121,372			\$ (245,872)	(245,872)
Extended Day	774,368	839,583	-	-	-	65,215	65,215
<b>Total Business-Type Activities</b>	<b>1,738,577</b>	<b>1,436,548</b>	<b>121,372</b>	<b>-</b>	<b>-</b>	<b>(180,657)</b>	<b>(180,657)</b>
<b>Total Primary Government</b>	<b>\$ 52,601,215</b>	<b>\$ 1,639,550</b>	<b>\$ 8,069,406</b>	<b>\$ 3,351,456</b>	<b>(39,360,146)</b>	<b>(180,657)</b>	<b>(39,540,803)</b>

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

**NUTLEY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Net (Expense) Revenue and Changes in Net Assets</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b>General Revenues, Transfers and Special Items</b>			
Property Taxes	\$ 40,168,989		\$ 40,168,989
State Aid - Unrestricted	3,461,681		3,461,681
State Aid - Restricted for Debt Service	12,407		12,407
Investment Earnings	663,207	\$ 1,480	664,687
Miscellaneous Income	76,045		76,045
Transfers	<u>(265,000)</u>	<u>265,000</u>	<u>-</u>
 Total General Revenues and Transfers	 <u>44,117,329</u>	 <u>266,480</u>	 <u>44,383,809</u>
 Change in Net Assets	 4,757,183	 85,823	 4,843,006
 Net Assets, Beginning of Year	 <u>1,690,948</u>	 <u>213,489</u>	 <u>1,904,437</u>
 Net Assets, End of Year	 <u>\$ 6,448,131</u>	 <u>\$ 299,312</u>	 <u>\$ 6,747,443</u>

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

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## **FUND FINANCIAL STATEMENTS**

**NUTLEY BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2006**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,075,668	\$ 292,820	\$ 7,471,159		\$ 9,839,647
Due from Other Funds	4,202		22,659	\$ 15,255	42,116
Receivables, Net					
Receivables from Other Governments	110,153	12,654	9,045,788		9,168,595
Other	2,907				2,907
Restricted Cash and Cash Equivalents	<u>159,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,263</u>
Total Assets	<u>\$ 2,352,193</u>	<u>\$ 305,474</u>	<u>16,539,606</u>	<u>\$ 15,255</u>	<u>\$ 19,212,528</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable			\$ 2,429,176		\$ 2,429,176
Due to Other Funds	\$ 61,496		16,989		78,485
Payable to State Government		\$ 35,853			35,853
Deferred Revenue	<u>-</u>	<u>269,621</u>	<u>5,174,909</u>	<u>-</u>	<u>5,444,530</u>
Total Liabilities	<u>61,496</u>	<u>305,474</u>	<u>7,621,074</u>	<u>-</u>	<u>7,988,044</u>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Encumbrances	285,315		13,568,681		13,853,996
Capital Reserve Account	159,263				159,263
Excess Surplus	605,253				605,253
Excess Surplus - Designated in Subsequent Year's Budget	458,607				458,607
<b>Unreserved</b>					
Designated in Subsequent Year's Budget	159,485				159,485
Undesignated, Reported in General Fund	622,774				622,774
Debt Service Fund				\$ 15,255	15,255
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>(4,650,149)</u>	<u>-</u>	<u>(4,650,149)</u>
Total Fund Balances	<u>2,290,697</u>	<u>-</u>	<u>8,918,532</u>	<u>15,255</u>	<u>11,224,484</u>
Total Liabilities and Fund Balances	<u>\$ 2,352,193</u>	<u>\$ 305,474</u>	<u>\$ 16,539,606</u>	<u>\$ 15,255</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 \$22,801,093 and the accumulated depreciation is \$7,238,048

15,563,045

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

(269,069)

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	\$ 17,633,000
Capital Leases	218,804
Compensated Absences Payable	<u>2,218,525</u>

(20,070,329)

\$ 6,448,131

**NUTLEY BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 38,865,016			\$ 1,303,973	\$ 40,168,989
Tuition	90,842				90,842
Transportation Fees	112,160				112,160
Miscellaneous	739,252	\$ 2,792	-	-	742,044
Total - Local Sources	39,807,270	2,792	-	1,303,973	41,114,035
State Sources	10,139,312	293,944	\$ 3,240,456	12,407	13,686,119
County Sources			105,000		105,000
Federal Sources	-	973,667	6,000	-	979,667
Total Revenues	49,946,582	1,270,403	3,351,456	1,316,380	55,884,821
<b>EXPENDITURES</b>					
Current					
Regular Instruction	23,246,726	628,490			23,875,216
Special Education Instruction	6,027,973				6,027,973
Other Instruction	719,701				719,701
School-Sponsored Activities and Athletics	996,633				996,633
Community Services	7,371				7,371
Support Services					
Student and Instructional Related Services	4,958,988	641,913			5,600,901
School Administrative Services	1,062,993				1,062,993
General Administrative Services	3,212,463				3,212,463
Plant Operations and Maintenance	5,375,082				5,375,082
Pupil Transportation	1,885,159				1,885,159
Business Services	1,199,898				1,199,898
Debt Service					
Principal	85,671			550,000	635,671
Interest and Other Charges	6,694			772,873	779,567
Capital Outlay	206,857	-	8,493,444	-	8,700,301
Total Expenditures	48,992,209	1,270,403	8,493,444	1,322,873	60,078,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	954,373	-	(5,141,988)	(6,493)	(4,194,108)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Leases (Non-Budgeted)	138,796				138,796
Transfers Out	(265,000)	-	-	-	(265,000)
Total Other Financing Sources and Uses	(126,204)	-	-	-	(126,204)
Net Change in Fund Balances	828,169	-	(5,141,988)	(6,493)	(4,320,312)
Fund Balance, Beginning of Year	1,462,528	-	14,060,520	21,748	15,544,796
Fund Balance, End of Year	\$ 2,290,697	\$ -	\$ 8,918,532	\$ 15,255	\$ 11,224,484

The accompanying Notes to the Basic 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, 2006**

**Total net change in fund balances - governmental funds (Exhibit B-2)** **\$ (4,320,312)**

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	\$ 8,700,301	
Depreciation Expense	<u>(287,037)</u>	
		8,413,264

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		141,285
----------------------	--	---------

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.		550,000
--	--	---------

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.		85,671
---	--	--------

Prior year adjustment to lease purchase balances		(4,761)
--	--	---------

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

Decrease in accrued interest		30,832
------------------------------	--	--------

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

Capital lease financing		<u>(138,796)</u>
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**Change in net assets of governmental activities (Exhibit A-2)** **\$ 4,757,183**

**NUTLEY BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 46,204	\$ 210,218	\$ 256,422
Intergovernmental Accounts Receivable			
State	496		496
Federal	5,887		5,887
Due from Other Funds		38,837	38,837
Other Accounts Receivable	6,741		6,741
Inventory	<u>7,556</u>	<u>-</u>	<u>7,556</u>
Total Current Assets	<u>66,884</u>	<u>249,055</u>	<u>315,939</u>
Capital Assets			
Machinery and Equipment	135,770		135,770
Less: Accumulated Depreciation	<u>(119,736)</u>	<u>-</u>	<u>(119,736)</u>
Total Capital Assets	<u>16,034</u>	<u>-</u>	<u>16,034</u>
Total Assets	<u>82,918</u>	<u>249,055</u>	<u>331,973</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	27,063		27,063
Due to Other Funds	2,467		2,467
Deferred Revenue	<u>3,131</u>	<u>-</u>	<u>3,131</u>
Total Liabilities	<u>32,661</u>	<u>-</u>	<u>29,530</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	16,034		16,034
Unrestricted	<u>34,223</u>	<u>249,055</u>	<u>283,278</u>
Total Net Assets	<u>\$ 50,257</u>	<u>\$ 249,055</u>	<u>\$ 299,312</u>

The accompanying Notes to the Basic 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, 2006**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
<b>OPERATING REVENUES</b>			
Charges for Services			
Program Fees		\$ 836,998	\$ 836,998
Daily Sales - Reimbursable			
School Lunch Program	\$ 505,138		505,138
Special Functions	90,064		90,064
Miscellaneous	1,763	2,585	4,348
	<u>596,965</u>	<u>839,583</u>	<u>1,436,548</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	343,911	672,821	1,016,732
Other Expenses		16,348	16,348
Employee Benefits	200,487	61,892	262,379
Cost of Sales	342,658		342,658
Supplies	38,345		38,345
Purchased Services	32,216	20,233	52,449
Other	4,982	3,074	8,056
Depreciation	1,610	-	1,610
	<u>964,209</u>	<u>774,368</u>	<u>1,738,577</u>
Operating Income (Loss)	<u>(367,244)</u>	<u>65,215</u>	<u>(302,029)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
State School Lunch Program	7,311		7,311
Federal Sources			
Federal School Lunch Program	89,046		89,046
USDA Commodities	25,015		25,015
Interest Income	1,480	-	1,480
	<u>122,852</u>	<u>-</u>	<u>122,852</u>
Net Income (Loss) Before Operating Transfers	(244,392)	65,215	(179,177)
Transfers In	265,000	-	265,000
Net Income (Loss)	20,608	65,215	85,823
Net Assets, Beginning of Year	29,649	183,840	213,489
Net Assets, End of Year	<u>\$ 50,257</u>	<u>\$ 249,055</u>	<u>\$ 299,312</u>

The accompanying Notes to the Basic 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, 2006**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 605,112	\$ 839,583	\$ 1,444,695
Payments for Employees	(343,911)	(672,821)	(1,016,732)
Payments to Suppliers	<u>(570,053)</u>	<u>(103,685)</u>	<u>(673,738)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(308,852)</u>	<u>63,077</u>	<u>(245,775)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating Transfers from Other Funds	265,000		265,000
State and Federal Sources	<u>95,731</u>	<u>-</u>	<u>95,731</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>360,731</u>	<u>-</u>	<u>360,731</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	<u>(7,155)</u>	<u>-</u>	<u>(7,155)</u>
Net Cash (Used By) Capital and Related Financing Activities	<u>(7,155)</u>	<u>-</u>	<u>(7,155)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>1,480</u>	<u>-</u>	<u>1,480</u>
Net Cash Provided By Investing Activities	<u>1,480</u>	<u>-</u>	<u>1,480</u>
Net Increase (Decrease) in Cash and Cash Equivalents	46,204	63,077	109,281
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>147,141</u>	<u>147,141</u>
Cash and Cash Equivalents, End of Year	<u>\$ 46,204</u>	<u>\$ 210,218</u>	<u>\$ 256,422</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (367,244)	\$ 65,215	\$ (302,029)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	1,610		1,610
Food Distribution Program	25,015		25,015
(Increase) Decrease in Accounts Receivable	8,147		8,147
(Increase) Decrease in Inventories	(2,171)		(2,171)
Increase (Decrease) in Accounts Payable	22,660	(2,138)	20,522
Increase (Decrease) in Deferred Revenue	<u>3,131</u>	<u>-</u>	<u>3,131</u>
Total Adjustments	<u>58,392</u>	<u>(2,138)</u>	<u>56,254</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (308,852)</u>	<u>\$ 63,077</u>	<u>\$ (245,775)</u>

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

NUTLEY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2006

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,497	\$ 546,542	\$ 170,931
Total Assets	<u>14,497</u>	<u>546,542</u>	<u>\$ 170,931</u>
<b>LIABILITIES</b>			
Due to Student Groups	<u>-</u>	<u>-</u>	\$ 170,931
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 170,931</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 14,497</u>	<u>\$ 546,542</u>	



**NUTLEY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b><u>Private Purpose Trust Funds</u></b>	<b><u>Unemployment Compensation Trust</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees		\$ 64,527
Investment Earnings		
Interest	\$ 224	9,144
	<u>224</u>	<u>9,144</u>
Total Additions	<u>224</u>	<u>73,671</u>
<b>DEDUCTIONS</b>		
Scholarships	250	
Unemployment Claims and Contributions	<u>-</u>	<u>29,700</u>
	<u>250</u>	<u>29,700</u>
Total Deductions	<u>250</u>	<u>29,700</u>
Change in Net Assets	(26)	43,971
Net Assets, Beginning of Year	<u>14,523</u>	<u>502,571</u>
Net Assets, End of Year	<u>\$ 14,497</u>	<u>\$ 546,542</u>

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

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 activities) 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. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

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

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the Agency Fund which does not have a measurement focus. 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, lease purchases 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Additionally, the government reports the following fund type:

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

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 property 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 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2005-06 and 2004-05 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 annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> 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 may 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.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

***Restricted Assets***

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

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***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 \$500, if purchased prior to July 1, 2001 or \$2,000, if purchased after July 1, 2001 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Heavy Equipment	10
Office Equipment and Furniture	10
Computer Equipment	5

***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the employee to accrue unused vacation, personal and sick leave benefits. 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Long-term obligations (Continued)***

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

***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 Excess Surplus – Designated for Subsequent Year's Budget** - This reserve was created to represent the June 30, 2005 audited excess surplus that was appropriated in the 2006/07 original budget certified for taxes.

**Reserved for Excess Surplus** – This reserve was created to represent the June 30, 2006 audited excess surplus that is required to be appropriated in the 2007/08 original budget certified for taxes.

**Reserved for Capital Reserve Account** – This reserve was created by budget appropriation to fund future capital expenditures.

Designations of fund balance represent tentative management plans that are subject to change.

**Designated for Subsequent Year's Budget** – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2006/07 District budget certified for taxes.

***Reclassifications***

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



**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the 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 District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2005/2006. During 2005/2006 the Board increased the original budget by \$568,408. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

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

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

**Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Fund			
Support Services			
Purchased Professional/ Educational Services	\$97,222	\$103,891	\$6,669
Allocated Benefits			
Personal Services – Employee Benefits	28,141	28,460	319

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Capital Reserve Account**

A capital reserve account was established by the District on September 20, 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 increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d)7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2006 is as follows:

Balance, July 1, 2005		\$	96,660
Increased by:			
Interest earnings	\$	4,671	
Deposits Approved in District Budget at election		<u>147,932</u>	
			<u>152,603</u>
			249,263
Withdrawals			
Board resolution March 28, 2006			<u>90,000</u>
Balance, June 30, 2006		\$	<u>159,263</u>

The June 30, 2006 LRFP balance of local support costs of uncompleted capital projects at June 30, 2006 is \$58,364,975. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

**Calculation of Excess Surplus**

In accordance with *N.J.S.A. 18A:7F-7*, as amended by P.L. 2004, C.73 (S1701) the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2006 is \$1,063,860. Of this amount, \$458,607 was designated and appropriated in the 2006/07 original budget certified for taxes and the remaining amount of \$605,253 will be appropriated in the 2007/08 original budget certified from taxes.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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, 2006, the book value of the Board's deposits was \$10,987,302 and bank balances of the Board's cash and deposits amounted to \$14,683,129. The Board's deposits which are displayed on the balance sheets and statements of net assets as cash and cash equivalents are categorized as:

**Depository Account**

Insured	<u>\$ 14,683,129</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk.. However, the Board's deposits were not subject 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, 2006, the Board had no outstanding investments.

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

**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	\$ 2,907			\$ 6,741	\$ 9,648
Intergovernmental	<u>110,153</u>	<u>\$ 12,654</u>	<u>\$ 9,045,788</u>	<u>6,383</u>	<u>9,174,978</u>
Gross Receivables	113,060	12,654	9,045,788	13,124	9,184,626
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 113,060</u>	<u>\$ 12,654</u>	<u>\$ 9,045,788</u>	<u>\$ 13,124</u>	<u>\$ 9,184,626</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Receivables (Continued)**

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>
Special Revenue Fund	
Unencumbered grant draw downs	\$ 259,773
Grant draw downs reserved for encumbrances	9,848
Capital Projects Fund	
Economic Development Authority School Facility Grants	<u>5,174,909</u>
Total deferred revenue for governmental funds	<u>\$5,444,530</u>

**Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 79,932			\$ 79,932
Construction in progress	<u>6,194,232</u>	\$ 8,493,444	\$ (4,964,576)	<u>9,723,100</u>
Total capital assets, not being depreciated	<u>6,274,164</u>	<u>8,493,444</u>	<u>(4,964,576)</u>	<u>9,803,032</u>
Capital assets, being depreciated:				
Buildings	5,501,474	5,025,158		10,526,632
Machinery and equipment	<u>2,325,154</u>	<u>146,275</u>	-	<u>2,471,429</u>
Total capital assets being depreciated	<u>7,826,628</u>	<u>5,171,433</u>	<u>-</u>	<u>12,998,061</u>
Less accumulated depreciation for:				
Buildings	(5,399,049)	(159,297)		(5,558,346)
Machinery and equipment	<u>(1,551,962)</u>	<u>(127,740)</u>	-	<u>(1,679,702)</u>
Total accumulated depreciation	<u>(6,951,011)</u>	<u>(287,037)</u>	<u>-</u>	<u>(7,238,048)</u>
Total capital assets, being depreciated, net	<u>875,616</u>	<u>4,884,396</u>	<u>-</u>	<u>5,760,013</u>
Government activities capital assets, net	<u>\$ 7,149,781</u>	<u>\$ 13,377,840</u>	<u>\$ (4,964,576)</u>	<u>\$ 15,563,045</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

	Balance <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2006</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 128,615	\$ 7,155	-	\$ 135,770
Total capital assets being depreciated	<u>128,615</u>	<u>7,155</u>	<u>-</u>	<u>135,770</u>
Less accumulated depreciation for:				
Machinery and Equipment	(118,126)	(1,610)	-	(119,736)
Total accumulated depreciation	<u>(118,126)</u>	<u>(1,610)</u>	<u>-</u>	<u>(119,736)</u>
Total capital assets, being depreciated, net	<u>10,489</u>	<u>5,545</u>	<u>-</u>	<u>16,034</u>
Business-type activities capital assets, net	<u>\$ 10,489</u>	<u>\$ 5,545</u>	<u>\$ -</u>	<u>\$ 16,034</u>

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

**Governmental activities:**

Instruction	
Regular	\$ 152,723
Special	5,165
School-Sponsored/Other Instructional	11,708
Total Instruction	<u>169,596</u>
Community Services	<u>5</u>
Support Services	
Student and Instruction Related Services	15,654
General administration	7,742
School administration	4,560
Operations and maintenance of plant	25,861
Student transportation	61,654
Business and other support services	1,965
Total Support Services	<u>117,436</u>
Total depreciation expense - governmental activities	<u>\$ 287,037</u>

**Business-type activities:**

Food Service Fund	\$ 1,610
Total depreciation expense-business-type activities	<u>\$ 1,610</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

*Construction commitments*

The District has the following active construction projects as of June 30, 2006:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Franklin Middle School Addition and Renovations	<u>\$9,618,100</u>	<u>\$13,568,681</u>
Total	<u>\$9,618,100</u>	<u>\$13,568,681</u>

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,735
	Food Service Fund	2,467
Capital Projects Fund	General Fund	22,659
Debt Service Fund	Capital Projects Fund	15,255
Extended Day Fund	General Fund	<u>38,837</u>
		<u>\$ 80,953</u>

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

**Interfund transfers**

	<u>Transfer In:</u>	
	<u>Enterprise</u>	
	<u>Food</u>	
	<u>Service</u>	<u>Total</u>
Transfer Out:		
General Fund	<u>\$ 265,000</u>	<u>\$ 265,000</u>
Total transfers out	<u>\$ 265,000</u>	<u>\$ 265,000</u>

The above transfers reflect the General Fund budget appropriation transferred to fund the Food Service Fund operations.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Leases**

**Capital Leases**

The District is leasing various vehicles and temporary classroom units totaling \$399,047 under capital leases. The leases are for terms of 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2007	\$ 92,364
2008	92,365
2009	34,394
2010	<u>16,940</u>
Total minimum lease payments	236,063
Less: amount representing interest	<u>(17,259)</u>
Present value of minimum lease payments	<u>\$ 218,804</u>

**Long-Term Debt**

**General Obligation Bonds**

The Board issued 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, 2006 are comprised of the following issues:

\$1,700,000, 1992 Bonds, due in annual installments of \$110,000 through September 1, 2007, variable interest rate	\$ 220,000
\$2,923,000, 2003 Bonds, due in annual installments of \$110,000 to \$208,000 through August 15, 2023, variable interest rate	2,818,000
\$14,930,000, 2005 Bonds, due in annual installments of \$350,000 to \$670,000 through February 15, 2030, variable interest rate	<u>14,595,000</u>
	<u>\$17,633,000</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Long-Term Debt (Continued)**

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

**Governmental Activities:**

Year Ended <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 570,000	\$ 724,617	\$ 1,294,617
2008	595,000	699,304	1,294,304
2009	625,000	676,581	1,301,581
2010	650,000	651,786	1,301,786
2011	680,000	625,892	1,305,892
2012-2016	3,825,000	2,696,290	6,521,290
2017-2021	4,135,000	1,888,215	6,023,215
2022-2026	3,873,000	1,034,178	4,907,178
2027-2031	<u>2,680,000</u>	<u>292,288</u>	<u>2,972,288</u>
	<u>\$ 17,633,000</u>	<u>\$ 9,289,151</u>	<u>\$ 26,922,151</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2006 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 136,244,229
Less: Net Debt Issued	<u>17,633,987</u>
Remaining Borrowing Power	<u>\$ 118,610,242</u>



**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance				Balance	Due
	July 1, 2005	Additions	Reductions	Adjustments	June 30, 2006	Within
						One Year
<b>Governmental activities:</b>						
Bonds Payable	\$ 18,183,000		\$ 550,000		\$ 17,633,000	\$ 570,000
Capital Leases	160,919	\$ 138,796	85,671	\$ 4,760	218,804	83,498
Compensated Absences Payable	<u>2,359,810</u>	<u>-</u>	<u>141,285</u>	<u>-</u>	<u>2,218,525</u>	<u>100,000</u>
Governmental Activity						
Long-Term Liabilities	<u>\$ 20,703,729</u>	<u>\$ 138,796</u>	<u>\$ 776,956</u>	<u>\$ 4,760</u>	<u>\$ 20,070,329</u>	<u>\$ 753,498</u>

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

**NOTE 5 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 "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 Fund 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 is 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 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 June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2006		\$ 64,527	\$ 29,700	\$ 546,542
2005	-	62,374	40,054	502,571
2004		59,451	57,714	473,365

**D. 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, 2006, 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.

**E. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2006, the District had no estimated arbitrage earnings due to the IRS.

**F. Employee Retirement Systems and Pension Plans**

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

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Employee Retirement Systems and Pension Plans (Continued)**

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

**Other Pension Funds**

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, and Common Pension Fund D. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Employee Retirement Systems and Pension Plans (Continued)**

**Significant Legislation**

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS and TPAF, effective July 12, 2002.

**Contribution Requirements**

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 5.0% for TPAF of the employee's annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2006 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2006, 2005 and 2004 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension contributions or post-retirement medical benefits the following amounts:

<u>Year Ended</u> <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>
2006	\$ 113,357	\$ 2,066,097
2005	49,296	1,749,630
2004	-	1,419,403

There was no employer contribution (PERS) required for the year ended June 30, 2004.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,767,457 during the year ended June 30, 2006 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, 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.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 OTHER INFORMATION (Continued)**

**F. 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, 2005, there were 67,930 retirees receiving 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 that increases by one half of one percent of the active State payroll.

The State made post-retirement (PRM) contributions of \$494.7 million for TPAF and \$190.8 million for PERS in fiscal year 2005.

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 \$88.7 million toward Chapter 126 benefits for 9,966 eligible retired members in fiscal year 2005.

**G. Recent Accounting Pronouncements**

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". This statement will become effective for governmental entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date of this statement for the Board is the fiscal year beginning July 1, 2008. This statement will require governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present "pay as you go" method. The impact on the District's financial position or results of operations of this GASB Statement can not be readily determined at this time.

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## **BUDGETARY COMPARISON SCHEDULES**

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 38,865,016		\$ 38,865,016	\$ 38,865,016	
Tuition	80,283		80,283	90,842	\$ 10,559
Transportation Fees	100,000		100,000	112,160	12,160
Interest on Capital Reserve	1,500		1,500	4,671	3,171
Other Restricted Miscellaneous	82,758		82,758	10,698	(72,060)
Unrestricted Miscellaneous	251,300	-	251,300	723,883	472,583
Total Revenues - Local Sources	39,380,857	-	39,380,857	39,807,270	426,413
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	
Consolidated Aid	475,088		475,088	475,088	
Additional Formula Aid	177,629		177,629	177,629	
Extraordinary Aid				198,148	198,148
TPAF Pension System Contributions-Normal				262,494	262,494
TPAF Pension System Contribution - Post Retirement (Non Budgeted)				1,803,603	1,803,603
TPAF Social Security Contributions (Non Budgeted)	-	-	-	1,767,457	1,767,457
Total State Sources	6,098,605	-	6,098,605	10,130,307	4,031,702
Total Revenues	45,479,462	-	45,479,462	49,937,577	4,458,115
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers:					
Preschool/Kindergarten	644,428	\$ (51,879)	592,549	592,549	
Grades 1 - 5	6,189,218	144,420	6,333,638	6,333,638	
Grades 6 - 8	4,012,710	53,141	4,065,851	4,065,850	1
Grades 9 - 12	5,584,743	(108,735)	5,476,008	5,476,007	1
Home Instruction:					
Salaries of Teachers	60,000	14,957	74,957	74,957	
Purchased Professional-Educational Services	7,500	(4,508)	2,992	2,991	1
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	400	(400)			
Purchased Technical Services	4,275	(4,275)			
Other Purchased Services	58,120	(555)	57,565	57,564	1
General Supplies	594,640	25,060	619,700	596,850	22,850
Textbooks	151,692	(34,681)	117,011	98,126	18,885
Other Objects	17,800	(2,103)	15,697	15,697	-
Total Instruction Regular Programs	17,325,526	30,442	17,355,968	17,314,229	41,739
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	1,039,736	22,408	1,062,144	1,062,143	1
Other Salaries for Instruction	245,546	(5,526)	240,020	240,019	1
General Supplies	16,675	(1,193)	15,482	15,482	
Textbooks	5,000	(2,110)	2,890	2,889	1
Total Learning/Language Disabilities	1,306,957	13,579	1,320,536	1,320,533	3

(Continued)



**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 841,221	\$ (25,698)	\$ 815,523	\$ 815,521	\$ 2
General Supplies	11,550	(313)	11,237	10,708	529
Textbooks	2,000	(424)	1,576	1,575	1
Total Resource Room/Resource Center	854,771	(26,435)	828,336	827,804	532
Preschool Disabilities					
Salaries of Teachers	118,611	(26,124)	92,487	92,486	1
Other Salaries for Instruction	56,239	9,107	65,346	65,345	1
General Supplies	2,000	(277)	1,723	1,723	-
Total Preschool Disabilities	176,850	(17,294)	159,556	159,554	2
Total Special Education	2,338,578	(30,150)	2,308,428	2,307,891	537
Basic Skills/Remedial					
Salaries of Teachers	488,655	59,897	548,552	548,551	1
Other Salaries for Instruction		2,038	2,038	2,038	
General Supplies	4,500	(3,002)	1,498	1,497	1
Textbooks	1,518	(1,518)			
Other Objects	-	169	169	169	-
Total Basic Skills/Remedial	494,673	57,584	552,257	552,255	2
Bilingual Education					
Salaries of Teachers	153,972	7,909	161,881	161,882	(1)
General Supplies	3,000	(680)	2,320	2,320	
Textbooks	1,000	117	1,117	744	373
Total Bilingual Education	157,972	7,346	165,318	164,946	372
Vocational Programs- Local - Instruction					
Salaries of Teachers	2,500	-	2,500	2,500	-
Total Vocational Programs-Local-Instruction	2,500	-	2,500	2,500	-
School Sponsored Co-Curricular Activities					
Salaries of Teachers	139,149	5,164	144,313	144,312	1
Purchased Services	6,000	(6,000)			
General Supplies	1,000	(1,000)			
Other Objects	3,400	(2,575)	825	825	-
Total Co-Curricular Activities	149,549	(4,411)	145,138	145,137	1
School Sponsored Athletics					
Salaries	462,033	52,128	514,161	514,160	1
Purchased Services	62,550	(10,728)	51,822	51,821	1
Supplies and Materials	63,440	(4,007)	59,433	59,432	1
Other Objects	144,000	(16,021)	127,979	127,123	856
Total Athletics	732,023	21,372	753,395	752,536	859

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Community Services					
Salaries	\$ 5,750	\$ 947	\$ 6,697	\$ 6,696	\$ 1
Total Community Services	5,750	947	6,697	6,696	1
Total Instruction	21,206,571	83,130	21,289,701	21,246,190	43,511
Tuition					
Tuition to NJ LEA's - Special	573,304	(38,700)	534,604	503,789	30,815
Tuition to County Vocational - Regular	8,569	(6,000)	2,569		2,569
Tuition to County Vocational - Special	28,163	4,490	32,653	31,557	1,096
Tuition to County Sp Service and Regional Day School	208,127	34,147	242,274	242,273	1
Tuition to NJ Private Handicapped	2,047,818	(259,563)	1,788,255	1,688,566	99,689
Tuition - State Facilities	15,585	(15,500)	85	-	85
Total Tuition	2,881,566	(281,126)	2,600,440	2,466,185	134,255
Undistributed Expenditures					
Health Services					
Salaries	460,511	(7,411)	453,100	453,099	1
Purchased Professional Services	45,000	(10,911)	34,089	34,088	1
Other Purchased Services	100	(65)	35	35	
Supplies and Materials	13,840	1,025	14,865	14,865	
Other Objects	200	(118)	82	82	-
Total Health Services	519,651	(17,480)	502,171	502,169	2
Undistributed Expend.-Other Supp. Svcs.-					
Student Related Services					
Salaries	345,719	58,371	404,090	404,089	1
Purchased Professional Educational Services	85,000	5,706	90,706	90,706	
Supplies and Materials	1,700	61	1,761	1,732	29
Total Other Support/Student Related Services	432,419	64,138	496,557	496,527	30
Undistributed Expend.-Other Supp. Svcs.-Extraord. Serv.					
Salaries	185,549	27,640	213,189	213,189	
Purchased Professional Educational Services	100	(100)	-	-	-
Total Other Support/Extraordinary Services	185,649	27,540	213,189	213,189	-
Undistributed Expend.-Other Supp. Svcs.-Students- Reg					
Salaries of Other Professional Staff	834,808	(58,487)	776,321	776,320	1
Salaries of Secretarial and Clerical Assistants	134,021	(201)	133,820	133,820	
Other Purchased Professional and Technical Services	45,000	(22,128)	22,872	22,252	620
Other Purchased Services	5,200	1,837	7,037	7,036	1
Supplies and Materials	29,688	(6,859)	22,829	22,828	1
Other Objects	3,200	(189)	3,011	3,011	-
Total Other Support Services/Regular	1,051,917	(86,027)	965,890	965,267	623

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expend.-Other Supp. Svcs.-Students- Special					
Salaries of Other Professional Staff	\$ 929,505	\$ (171,269)	\$ 758,236	\$ 758,236	
Miscellaneous Purchased Services	3,000	(459)	2,541	2,541	
Supplies and Materials	12,300	322	12,622	12,161	\$ 461
Total Other Support Services/Special	944,805	(171,406)	773,399	772,938	461
Improvement of Instruction					
Salaries of Supervisors of Instruction	147,116	44,828	191,944	191,943	1
Salaries of Other Professional Staff	16,500	(8,351)	8,149	8,148	1
Salaries of Secretarial and Clerical Assist.	172,311	215	172,526	172,526	
Other Purchased Professional and Technical Services	2,500	(100)	2,400	2,400	
Other Purchased Services	2,150	(1,028)	1,122	1,122	
Supplies and Materials	11,500	1,262	12,762	12,263	499
Other Objects	1,000	233	1,233	1,233	-
Total Improvement of Instruction	353,077	37,059	390,136	389,635	501
Educational Media Services/ School Library					
Salaries	562,671	(11,684)	550,987	550,986	1
Purchased Professional and Technical Services	13,172	50	13,222	13,221	1
Other Purchased Services	46,600	(8,145)	38,455	38,452	3
Supplies and Materials	240,213	(37,485)	202,728	176,631	26,097
Total Educational Media Services/ School Library	862,656	(57,264)	805,392	779,290	26,102
Instructional Staff Training Services					
Salaries of Other Professional Staff	5,000	(583)	4,417	4,417	
Purchased Professional Educational Services	6,000	(2,000)	4,000	4,000	
Other Purchased Services	18,000	(4,005)	13,995	13,994	1
Supplies and Materials	400	294	694	694	
Other Objects	1,400	(354)	1,046	1,046	-
Total Instructional Staff Training Services	30,800	(6,648)	24,152	24,151	1
Support Services General Administration					
Salaries	338,759	2,125	340,884	336,504	4,380
Legal Services	71,000		71,000	59,776	11,224
Audit Fees		29,000	29,000	28,420	580
Other Purchased Professional Services	48,000	(34,000)	14,000	9,215	4,785
Purchased Technical Services	2,750	1,000	3,750	2,535	1,215
Communications/Telephone	142,957	17,000	159,957	145,113	14,844
Other Purchased Services	230,073	(4,915)	225,158	219,529	5,629
BOE Other Purchased Services		3,750	3,750	3,726	24
Supplies and Materials	22,000	22,494	44,494	43,841	653
Miscellaneous Expenditures	55,500	(19,006)	36,494	36,125	369
BOE Membership Dues and Fees	-	26,003	26,003	26,003	-
Total Support Services General Administration	911,039	43,451	954,490	910,787	43,703
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,128,891	(28,050)	1,100,841	1,097,574	3,267
Salaries of Other Professional Staff	428,130	21,961	450,091	450,090	1
Salaries of Secretarial and Clerical Assistants	595,216	99,475	694,691	688,420	6,271
Other Purchased Services	62,200	10,474	72,674	61,740	10,934
Supplies and Materials	68,677	(340)	68,337	58,573	9,764
Other Objects	50,500	2,306	52,806	46,446	6,360
Total Support Services School Administration	2,333,614	105,826	2,439,440	2,402,843	36,597

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final To Actual</b>
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures - Central Services					
Salaries	\$ 664,413		\$ 664,413	\$ 631,372	\$ 33,041
Purchased Professional Services	76,000	\$ 5,998	81,998	35,540	46,458
Purchased Technical Services	19,000	8,000	27,000	17,466	9,534
Miscellaneous Purchased Services	39,000	16,038	55,038	38,049	16,989
Supplies and Materials	16,500	7,800	24,300	20,988	3,312
Other Objects	1,850	2,662	4,512	3,225	1,287
<b>Total Undistributed Expenditures - Central Services</b>	<b>816,763</b>	<b>40,498</b>	<b>857,261</b>	<b>746,640</b>	<b>110,621</b>
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	242,368	(20,573)	221,795	190,654	31,141
Purchased Technical Services	3,825	5,000	8,825	3,029	5,796
Other Purchased Services	1,300		1,300	165	1,135
Supplies and Materials	22,989	25,000	47,989	18,723	29,266
Other Objects	500	-	500	444	56
<b>Total Undistributed Expenditures - Admin. Info. Technology</b>	<b>270,982</b>	<b>9,427</b>	<b>280,409</b>	<b>213,015</b>	<b>67,394</b>
Required Maintenance for School Facilities					
Salaries	451,083	(10,018)	441,065	441,064	1
Cleaning, Repair and Maintenance Services	167,000	82,900	249,900	249,900	
General Supplies	154,776	32,009	186,785	133,832	52,953
Other Objects	1,500	(565)	935	934	1
<b>Total Required Maint for School Facilities</b>	<b>774,359</b>	<b>104,326</b>	<b>878,685</b>	<b>825,730</b>	<b>52,955</b>
Other Operations and Maintenance of Plant					
Salaries	2,042,017	111,377	2,153,394	2,153,394	
Purchased Professional and Technical Services	51,000	36	51,036	51,036	
Cleaning, Repair and Maintenance Services	285,060	(26,204)	258,856	256,928	1,928
Rental of Land & Bldg. Oth. Than Lease Purch. Agreement	24,000	(3,150)	20,850	20,850	
Insurance	75,475	(597)	74,878	74,878	
Miscellaneous Purchased Services	30,300	27,500	57,800	57,797	3
General Supplies	97,230	(7,005)	90,225	90,048	177
Energy (Heat and Electricity)	715,490	66,068	781,558	781,558	
Other Objects	256,500	38,334	294,834	294,833	1
<b>Total Other Operations and Maint. of Plant</b>	<b>3,577,072</b>	<b>206,359</b>	<b>3,783,431</b>	<b>3,781,322</b>	<b>2,109</b>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	683,463	36,624	720,087	720,087	
Salaries for Pupil Trans (Other than Bet Home & Sch).	150,500	13,592	164,092	164,092	
Cleaning, Repair and Maintenance Services	63,000	44,452	107,452	107,451	1
Other Purchased Professional and Technical Services	75,221	(74,736)	485	485	
Lease Purchase Payments - School Buses - Lease of Space for Buses	2,150	49,148	51,298	51,297	1
Contr Serv(Oth. Than Bet Home & Sch)-Vend	53,000	(18,314)	34,686	34,685	1
Contr Serv(Special Education)-Vendors	340,000	(16,042)	323,958	313,467	10,491
Contr Serv(Special Education)-Joint Agreements	8,000	(8,000)			
Miscellaneous Purch. Services- Transportation	24,903	2,361	27,264	27,264	
Supplies and Materials	43,000	18,838	61,838	61,632	206
Miscellaneous Expenditures	15,600	(4,354)	11,246	11,246	-
<b>Total Student Transportation Services</b>	<b>1,458,837</b>	<b>43,569</b>	<b>1,502,406</b>	<b>1,491,706</b>	<b>10,700</b>

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Unallocated Employee Benefits					
Social Security Contributions - Other	\$ 607,294	\$ (13,425)	\$ 593,869	\$ 593,868	\$ 1
Other Retirement Contributions - Regular	118,957	3,409	122,366	122,365	1
Workmens Compensation	124,106	(2,815)	121,291	121,290	1
Health Benefits	5,733,013	(127,230)	5,605,783	5,605,781	2
Tuition Reimbursements	66,725	3,718	70,443	69,993	450
Other Employee Benefits	128,000	78,537	206,537	206,536	1
Total Unallocated Employee Benefits	<u>6,778,095</u>	<u>(57,806)</u>	<u>6,720,289</u>	<u>6,719,833</u>	<u>456</u>
TPAF Pension System Contributions-Normal (Non-Budgeted)				262,494	(262,494)
TPAF Pension System Contributions-Post Retirement (Non-Budgeted)				1,803,603	(1,803,603)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	1,767,457	(1,767,457)
Total TPAF Pension and Social Security Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,833,554</u>	<u>(3,833,554)</u>
Total Undistributed Expenditures	<u>24,183,301</u>	<u>4,436</u>	<u>24,187,737</u>	<u>27,534,781</u>	<u>(3,347,044)</u>
Total Current Expenditures	<u>45,389,872</u>	<u>87,566</u>	<u>45,477,438</u>	<u>48,780,971</u>	<u>(3,303,533)</u>
<b>CAPITAL OUTLAY</b>					
Interest Deposit to Capital Reserve					
Equipment					
Grades 1 - 5	2,295		2,295		2,295
Grades 9 - 12	7,647		7,647		7,647
Undistributed Expenditures					
Support Services - Instructional Staff	54,000	(21,102)	32,898	27,774	5,124
Admin. Info. Tech	5,500	21,102	26,602	5,500	21,102
Other Support Services	38,080	1,090	39,170	39,168	2
Total Equipment	<u>107,522</u>	<u>1,090</u>	<u>108,612</u>	<u>72,442</u>	<u>36,170</u>
Facilities Acquisition and Constr. Services					
Construction Services	93,500	-	93,500	-	93,500
Total Facilities Acquisition and Constr. Services	<u>93,500</u>	<u>-</u>	<u>93,500</u>	<u>-</u>	<u>93,500</u>
<b>CAPITAL OUTLAY</b>					
Assets Acquired Under Capital Leases (Non-Budgeted)					
Undistributed Expenditures					
Operations and Maintenance of Plant				60,582	(60,582)
School Buses - Regular	-	-	-	78,214	(78,214)
Total Assets Acquired Under Capital Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,796</u>	<u>(138,796)</u>
Total Expenditures - Capital Outlay	<u>201,022</u>	<u>1,090</u>	<u>202,112</u>	<u>211,238</u>	<u>(9,126)</u>
Total Expenditures - General Fund	<u>45,590,894</u>	<u>88,656</u>	<u>45,679,550</u>	<u>48,992,209</u>	<u>(3,312,659)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(111,432)</u>	<u>(88,656)</u>	<u>(200,088)</u>	<u>945,368</u>	<u>1,145,456</u>

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Other Financing Sources (Uses)					
Capital Leases (Non-Budgeted)				\$ 138,796	\$ 138,796
Transfers In					
Transfers Out	\$ 125,000	\$ 140,000	\$ 265,000	265,000	-
Total Other Financing Sources (Uses)	125,000	140,000	265,000	(126,204)	138,796
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(236,432)	(228,656)	(465,088)	819,164	1,284,252
Fund Balance, Beginning of Year	1,952,604	-	1,952,604	1,952,604	-
Fund Balance, End of Year	\$ 1,716,172	\$ (228,656)	\$ 1,487,516	\$ 2,771,768	\$ 1,284,252
 <b>Recapitulation of Fund Balance</b>					
Reserve for Encumbrances				\$ 285,315	
Capital Reserve				159,263	
Excess Surplus				605,253	
Excess Surplus, Designated in Subsequent Year's Budget				458,607	
Designated for Subsequent Year's Budget				159,485	
Unrestricted Fund Balance				<u>1,103,845</u>	
Fund Balance (Budgetary Basis)				2,771,768	
 <b>Reconciliation to Governmental Fund Statements (GAAP)</b>					
2005/06 Last State Aid Payment Not Recognized on a GAAP Basis				(282,923)	
2005/06 Extraordinary Aid Not Recognized on a GAAP Basis				<u>(198,148)</u>	
Fund Balance per Governmental Funds (GAAP Basis)				\$ 2,290,697	

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 265,165	\$ 36,867	\$ 302,032	\$ 293,944	\$ (8,088)
Federal	956,105	295,385	1,251,490	983,515	(267,975)
Local Sources					
Miscellaneous	-	7,500	7,500	2,792	(4,708)
Total Revenues	<u>1,221,270</u>	<u>339,752</u>	<u>1,561,022</u>	<u>1,280,251</u>	<u>(280,771)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	934,405	(582,293)	352,112	327,298	24,814
Other Salaries for Instruction		59,660	59,660	51,812	7,848
Purchased Professional/Educational Services	167,765	17,473	185,238	181,245	3,993
Other Purchased Services	19,600	(16,714)	2,886	1,109	1,777
General Supplies		62,461	62,461	37,950	24,511
Textbooks	30,200	8,407	38,607	38,284	323
Other Objects	-	500	500	9	491
Total Instruction	<u>1,151,970</u>	<u>(450,506)</u>	<u>701,464</u>	<u>637,707</u>	<u>63,757</u>
Support Services					
Salaries of Program Directors		5,014	5,014	5,014	
Salaries of Other Professional Staff		144,605	144,605	105,629	38,976
Salaries of Secretarial and Clerical Asst.		4,059	4,059	4,059	
Purchased Professional/Educational Services	59,800	37,422	97,222	103,891	(6,669)
Travel		225	225	225	
Contracted Svcs. - Trans.	9,500	2,456	11,956		11,956
Other Purchased Services		9,278	9,278	3,517	5,761
Supplies and Materials		4,266	4,266	4,220	46
Tuition	-	513,737	513,737	351,756	161,981
Total Support Services	<u>69,300</u>	<u>721,062</u>	<u>790,362</u>	<u>578,311</u>	<u>212,051</u>
Allocated Benefits					
Social Security		41,055	41,055	35,773	5,282
Personal Services - Employee Benefits	-	28,141	28,141	28,460	(319)
Total Allocated Benefits	<u>-</u>	<u>69,196</u>	<u>69,196</u>	<u>64,233</u>	<u>4,963</u>
Total Expenditures	<u>1,221,270</u>	<u>339,752</u>	<u>1,561,022</u>	<u>1,280,251</u>	<u>280,771</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, 2006**

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

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

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

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	C-1 \$ 49,937,577	C-2 \$ 1,280,251
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Less: June 30, 2006 encumbrances		(9,848)
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements.	490,076	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(282,923)	
Extraordinary aid payment recognized for budgetary purposes not recognized for GAAP statements.	<u>(198,148)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	B-2 \$ <u>49,946,582</u>	B-2 \$ <u>1,270,403</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 48,992,209	C-2 \$ 1,280,251
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.		
Less: June 30, 2006 encumbrances	<u>-</u>	<u>(9,848)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2 \$ <u>48,992,209</u>	B-2 \$ <u>1,270,403</u>



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**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

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**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, 2006**

	N.J. Nonpublic Auxiliary				NJ Nonpublic Handicapped			
	Nonpublic Textbooks	Compensatory Education	ESL	Transportation	Supplemental Instruction	Examination/ Classification	Corrective Speech	Nonpublic Nursing
<b>REVENUES</b>								
State Sources	\$ 36,574	\$ 86,134	\$ 3,695	\$ 11,956	\$ 15,611	\$ 19,880	\$ 21,948	\$ 43,659
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 36,574</u>	<u>\$ 86,134</u>	<u>\$ 3,695</u>	<u>\$ 11,956</u>	<u>\$ 15,611</u>	<u>\$ 19,880</u>	<u>\$ 21,948</u>	<u>\$ 43,659</u>
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers								
Other Salaries for Instruction								
Purchased Prof. and Technical Services		\$ 86,134	\$ 3,695	\$ 11,956	\$ 15,611		\$ 21,948	
Purchased Prof. Educational Services								
General Supplies								
Textbooks	\$ 36,574							
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	<u>36,574</u>	<u>86,134</u>	<u>3,695</u>	<u>11,956</u>	<u>15,611</u>	<u>-</u>	<u>21,948</u>	<u>-</u>
Support Services								
Salaries of Program Directors								
Salaries of Other Professional Staff								
Salaries of Secr and Clerical Assistants								
Purchased Professional Educational Services						\$ 19,880		\$ 43,659
Other Purchased Services								
Supplies and Materials								
Tuition	-	-	-	-	-	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,880</u>	<u>-</u>	<u>43,659</u>
Personal Services - Employee Benefits								
Social Security Contributions								
Other Retirement	-	-	-	-	-	-	-	-
Total Personnel Services - Employee Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 36,574</u>	<u>\$ 86,134</u>	<u>\$ 3,695</u>	<u>\$ 11,956</u>	<u>\$ 15,611</u>	<u>\$ 19,880</u>	<u>\$ 21,948</u>	<u>\$ 43,659</u>

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Teacher Quality Mentoring</u>	<u>Character Education</u>	<u>Nonpublic Home Instruction</u>	<u>Statewide Systematic</u>	<u>IDEIA B Basic</u>	<u>IDEIA B Preschool</u>	<u>IDEA B Carryover</u>	<u>IDEA Preschool Carryover</u>
<b>REVENUES</b>								
State Sources	\$ 4,137	\$ 15,013	\$ 11,520	\$ 297				
Federal Sources	-	-	-	-	\$ 528,490	\$ 29,652	\$ 71,031	\$ 187
<b>Total Revenues</b>	<u>\$ 4,137</u>	<u>\$ 15,013</u>	<u>\$ 11,520</u>	<u>\$ 297</u>	<u>\$ 528,490</u>	<u>\$ 29,652</u>	<u>\$ 71,031</u>	<u>\$ 187</u>
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers		\$ 6,000			\$ 41,500	\$ 16,575	\$ 14,895	
Other Salaries for Instruction					34,072	9,665	8,075	
Purchased Prof. Educational Services			\$ 11,520		1,330		2,012	
Other Purchased Services								
General Supplies		1,271		\$ 297	799	66	7,479	\$ 187
Textbooks							1,710	
Miscellaneous Expenses	-	9	-	-	-	-	-	-
<b>Total Instruction</b>	<u>-</u>	<u>7,280</u>	<u>11,520</u>	<u>297</u>	<u>77,701</u>	<u>26,306</u>	<u>34,171</u>	<u>187</u>
Support Services								
Salaries of Program Directors							1,014	
Salaries of Other Professional Staff	\$ 4,137				66,000		31,385	
Salaries of Sec. and Clerical Assistants								
Purchased Professional Educational Services		5,979			27,833			
Travel							225	
Other Purchased Services		1,754						
Supplies and Materials								
Tuition	-	-	-	-	337,517	-	-	-
<b>Total Support Services</b>	<u>4,137</u>	<u>7,733</u>	<u>-</u>	<u>-</u>	<u>431,350</u>	<u>-</u>	<u>32,624</u>	<u>-</u>
Personal Services - Employee Benefits								
Social Security Contributions					10,753	2,007	4,236	
Other Retirement	-	-	-	-	8,686	1,339	-	-
<b>Total Personnel Services - Employee Benefits</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,439</u>	<u>3,346</u>	<u>4,236</u>	<u>-</u>
Facilities Acquisition and Construction Services Instructional Equipment	-	-	-	-	-	-	-	-
<b>Total Facilities Acquisition</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 4,137</u>	<u>\$ 15,013</u>	<u>\$ 11,520</u>	<u>\$ 297</u>	<u>\$ 528,490</u>	<u>\$ 29,652</u>	<u>\$ 71,031</u>	<u>\$ 187</u>

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Title III Carryover</u>	<u>Title III</u>	<u>Title I</u>	<u>Title I Carryover</u>	<u>Title V</u>	<u>Title II</u>	<u>Title V Carryover</u>	<u>Title II Carryover</u>
<b>REVENUES</b>								
State Sources								
Federal Sources	\$ 1,426	\$ 28,339	\$ 161,927	\$ 12,423	\$ 9,618	\$ 101,592	\$ 2,251	\$ 8,342
Total Revenues	<u>\$ 1,426</u>	<u>\$ 28,339</u>	<u>\$ 161,927</u>	<u>\$ 12,423</u>	<u>\$ 9,618</u>	<u>\$ 101,592</u>	<u>\$ 2,251</u>	<u>\$ 8,342</u>
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers	\$ 1,000	\$ 20,281	\$ 125,966	\$ 7,760	\$ 7,730	\$ 84,267		
Other Salaries for Instruction								
Purchased Prof. and Technical Services								
Purchased Prof. Educational Services			2,860					
General Supplies	426	4,351		408	672	201	\$ 1,819	\$ 708
Textbooks								
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	<u>1,426</u>	<u>24,632</u>	<u>128,826</u>	<u>8,168</u>	<u>8,402</u>	<u>84,468</u>	<u>1,819</u>	<u>708</u>
Support Services								
Salaries of Program Directors			4,000					
Salaries of Other Professional Staff								
Salaries of Sec and Clerical Assistants		480	2,579	1,000				
Purchased Professional Educational Services			6,529				11	
Travel								
Other Purchased Services								
Supplies and Materials				981				1,114
Tuition	-	-	-	2,197	-	4,743	421	6,520
Total Support Services	<u>-</u>	<u>480</u>	<u>13,108</u>	<u>4,178</u>	<u>-</u>	<u>4,743</u>	<u>432</u>	<u>7,634</u>
Personal Services - Employee Benefits								
Social Security Contributions		1,588	9,757	77	591	6,446		
Other Retirement	-	1,639	10,236	-	625	5,935	-	-
Total Personnel Services - Employee Benefits	<u>-</u>	<u>3,227</u>	<u>19,993</u>	<u>77</u>	<u>1,216</u>	<u>12,381</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 1,426</u>	<u>\$ 28,339</u>	<u>\$ 161,927</u>	<u>\$ 12,423</u>	<u>\$ 9,618</u>	<u>\$ 101,592</u>	<u>\$ 2,251</u>	<u>\$ 8,342</u>

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Title IV Carryover</u>	<u>Other</u>	<u>Title IV</u>	<u>Perkins Vocational Education</u>	<u>Nonpublic Technology</u>	<u>Total</u>
<b>REVENUES</b>						
Other		\$ 2,792				\$ 2,792
State Sources					\$ 23,520	293,944
Federal Sources	\$ 2,254	-	\$ 7,118	\$ 18,865	-	983,515
Total Revenues	<u>\$ 2,254</u>	<u>\$ 2,792</u>	<u>\$ 7,118</u>	<u>\$ 18,865</u>	<u>\$ 23,520</u>	<u>\$ 1,280,251</u>
<b>EXPENDITURES</b>						
Instruction:						
Salaries of Teachers	\$ 1,324					\$ 327,298
Other Salaries for Instruction						51,812
Purchased Prof. and Educational Svcs			\$ 659		\$ 23,520	181,245
Other Purchased Services				\$ 1,109		1,109
General Supplies	\$ 930	\$ 1,292	271	16,773		37,950
Textbooks						38,284
Miscellaneous Expenses	-	-	-	-	-	9
Total Instruction	<u>2,254</u>	<u>1,292</u>	<u>930</u>	<u>17,882</u>	<u>23,520</u>	<u>637,707</u>
Support Services						
Salaries of Program Directors						5,014
Salaries of Other Professional Staff			4,107			105,629
Salaries of Secr and Clerical Assistants						4,059
Purchased Professional Educational Services						103,891
Travel						225
Other Purchased Services			1,763			3,517
Supplies and Materials		1,142		983		4,220
Tuition	-	358	-	-	-	351,756
Total Support Services	<u>-</u>	<u>1,500</u>	<u>5,870</u>	<u>983</u>	<u>-</u>	<u>578,311</u>
Personal Services - Employee Benefits						
Social Security Contributions			318			35,773
Other Retirement	-	-	-	-	-	28,460
Total Personnel Services - Employee Benefits	<u>-</u>	<u>-</u>	<u>318</u>	<u>-</u>	<u>-</u>	<u>64,233</u>
Total Expenditures	<u>\$ 2,254</u>	<u>\$ 2,792</u>	<u>\$ 7,118</u>	<u>\$ 18,865</u>	<u>\$ 23,520</u>	<u>\$ 1,280,251</u>



**EXHIBIT E-2**

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
DEMONSTRABLY EFFECTIVE PROGRAM AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOT APPLICABLE

**EXHIBIT E-3**

**EARLY CHILDHOOD PROGRAM AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOT APPLICABLE

**EXHIBIT E-4**

**INSTRUCTIONAL SUPPLEMENT AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOT APPLICABLE

**EXHIBIT E-5**

**DISTANCE LEARNING NETWORK AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOT APPLICABLE

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**CAPITAL PROJECTS FUND**

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2006</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	\$ 4,872,673	\$ 4,796,958	\$ 65,465	\$ 10,250
Construction of an addition and renovation of the Franklin Middle School, including acquisition and installation of furnishings and equipment and site work	23,700,000	1,308,578	8,309,522	14,081,900
Radcliffe - Vertical Lift	104,431	88,696	13,457	2,278
Renovations to the Nutley Park Oval	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
	<u>\$ 28,782,104</u>	<u>\$ 6,194,232</u>	<u>\$ 8,493,444</u>	<u>\$ 14,094,428</u>
Project Balances, June 30, 2006				\$ 14,094,428
Less:				
Debt Authorized But Not Issued			\$ 987	
Unrealized Revenue - State Aid				
Middle School			5,174,074	
Radcliffe School			<u>835</u>	
				<u>5,175,896</u>
Fund Balance, June 30, 2006				<u>\$ 8,918,532</u>

**NUTLEY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

**Revenues and Other Financing Sources**

State Sources - SCC Grant	\$ 3,240,456
Federal Sources - CDBG	6,000
County Sources	<u>105,000</u>
Total Revenues	<u>3,351,456</u>

**Expenditures and Other Financing Uses**

Purchased Professional And Technical Services	577,144
Construction Services	7,824,258
Other Purchased Services	14,752
Equipment Purchases	<u>77,290</u>
Total Expenditures	<u>8,493,444</u>

Excess (Deficiency) Of Revenues Over (Under) Expenditures	(5,141,988)
Fund Balance, Beginning of Year	<u>14,060,520</u>
Fund Balance, End of Year	<u><u>\$ 8,918,532</u></u>

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
ADDITION & REHABILITATION TO NUTLEY HIGH SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ 1,871,106	\$ 77,963	\$ 1,949,069	\$ 1,949,069
Federal Sources - CDBG				
Bond proceeds and transfers	<u>2,929,494</u>	<u>-</u>	<u>2,929,494</u>	<u>2,923,604</u>
Total Revenues	<u>4,800,600</u>	<u>77,963</u>	<u>4,878,563</u>	<u>4,872,673</u>
 <b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	524,133	13,311	537,444	351,963
Land and Improvements	197,900		197,900	594,080
Construction Services	3,717,256		3,717,256	3,519,630
Equipment Purchases	<u>357,669</u>	<u>52,154</u>	<u>409,823</u>	<u>407,000</u>
Total Expenditures	<u>4,796,958</u>	<u>65,465</u>	<u>4,862,423</u>	<u>4,872,673</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,642</u>	<u>\$ 12,498</u>	<u>\$ 16,140</u>	<u>\$ -</u>

**Additional Project Information:**

Project Number	3750-050-03-1027
Grant Date	
Bonds Authorization Date	8/15/2003
Bonds Authorized	2,923,000
Bonds Issued	2,923,000
Original Authorized Cost	4,872,673
Change Orders	28,956
Revised Authorized Cost	4,901,629
 Change Order Percentage	0.59%
Percentage Completion	99%
Original Target Completion Date	9/1/2004
Revised Target Completion Date	12/1/2006

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
ADDITION & REHABILITATION TO FRANKLIN MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ 438,481	\$ 3,157,062	\$ 3,595,543	\$ 8,769,617
Bond proceeds and transfers	<u>14,945,255</u>	<u>-</u>	<u>14,945,255</u>	<u>14,930,383</u>
Total Revenues	<u>15,383,736</u>	<u>3,157,062</u>	<u>18,540,798</u>	<u>23,700,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	1,308,579	563,833	1,872,412	2,750,000
Land and Improvements				620,000
Construction Services		7,705,801	7,705,801	20,330,000
Other Purchased Services		14,752	14,752	
Equipment Purchases	<u>-</u>	<u>25,136</u>	<u>25,136</u>	<u>-</u>
Total Expenditures	<u>1,308,579</u>	<u>8,309,522</u>	<u>9,618,101</u>	<u>23,700,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 14,075,157</u>	<u>\$ (5,152,460)</u>	<u>\$ 8,922,697</u>	<u>\$ -</u>

**Additional Project Information:**

Project Number	3750-060-04-1000
Grant Date	6/2/2004
Bonds Authorization Date	2/1/2005
Bonds Authorized	14,930,000
Bonds Issued	14,930,000
Original Authorized Cost	23,700,000
Change Orders	34,551
Revised Authorized Cost	23,734,551
Change Order Percentage	.15%
Percentage Completion	41%
Original Target Completion Date	9/1/2007
Revised Target Completion Date	9/1/2007

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
RADCLIFFE ELEMENTARY SCHOOL VERTICAL LIFT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ 35,506	\$ 5,431	\$ 40,937	\$ 41,772
Federal Sources - CDBG	34,000	6,000	40,000	40,000
Transfer from capital reserve	22,659	-	22,659	22,659
<b>Total Revenues</b>	<u>92,165</u>	<u>11,431</u>	<u>103,596</u>	<u>104,431</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	4,186		4,186	10,211
Construction Services	84,510	13,457	97,967	94,220
<b>Total Expenditures</b>	<u>88,696</u>	<u>13,457</u>	<u>102,153</u>	<u>104,431</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$ 3,469	 \$ (2,026)	 \$ 1,443	 \$ -

**Additional Project Information:**

Project Number	3750-080-04-1000
Grant Date	10/19/2004
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	104,431
Change Orders	-
Revised Authorized Cost	104,431
 Change Order Percentage	 0%
Percentage Completion	100%
Original Target Completion Date	11/30/2004
Revised Target Completion Date	12/1/2005



**NUTLEY BOARD OF EDUCATION**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND**  
**PROJECT STATUS - BUDGETARY BASIS**  
**RENOVATIONS TO THE NUTLEY PARK OVAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
County Sources	-	\$ 105,000	\$ 105,000	\$ 105,000
Total Revenues	-	105,000	\$ 105,000	105,000
<b>Expenditures and Other Financing Uses</b>				
Construction Services	-	105,000	\$ 105,000	105,000
Total Expenditures	-	105,000	\$ 105,000	105,000
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -

**Additional Project Information:**

Project Number	Not Applicable
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	105,000
Change Orders	-
Revised Authorized Cost	105,000
Change Order Percentage	
Percentage Completion	100%
Original Target Completion Date	9/1/2006
Revised Target Completion Date	9/1/2006

**PROPRIETARY FUND**

**NUTLEY BOARD OF EDUCATION  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 170,931	-	\$ 170,931
Total Assets	<u>\$ 170,931</u>	<u>\$ -</u>	<u>\$ 170,931</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 170,931	-	\$ 170,931
Total Liabilities	<u>\$ 170,931</u>	<u>\$ -</u>	<u>\$ 170,931</u>

**NUTLEY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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, 2006**

	<u>Balance July 1, 2005</u>	<u>Cash Receipts</u>	<u>Cash Disburse- ments</u>	<u>Balance June 30, 2006</u>
<b>ELEMENTARY SCHOOLS</b>				
Lincoln	\$ 2,701	\$ 23,156	\$ 22,438	\$ 3,419
Radcliffe	974	5,088	5,645	417
Spring Garden	4,988	13,389	13,179	5,198
Washington	454	6,383	6,749	88
Yantacaw	<u>7,824</u>	<u>14,796</u>	<u>13,125</u>	<u>9,495</u>
	<u>16,941</u>	<u>62,812</u>	<u>61,136</u>	<u>18,617</u>
<b>MIDDLE SCHOOL</b>				
Franklin	<u>8,254</u>	<u>67,069</u>	<u>68,261</u>	<u>7,062</u>
<b>HIGH SCHOOL</b>				
Nutley High School	<u>110,735</u>	<u>342,901</u>	<u>308,384</u>	<u>145,252</u>
<b>TOTAL ALL SCHOOLS</b>	<u>\$ 135,930</u>	<u>\$ 472,782</u>	<u>\$ 437,781</u>	<u>\$ 170,931</u>



**NUTLEY BOARD OF EDUCATION**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Balance, July 1, <u>2005</u></b>	<b>Cash <u>Receipts</u></b>	<b>Cash <u>Disbursements</u></b>	<b>Balance, June 30, <u>2006</u></b>
Accrued Salaries and Wages, Payroll Deductions and Withholdings	<u>-</u>	<u>\$ 35,000,891</u>	<u>\$ 35,000,891</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 35,000,891</u>	<u>\$ 35,000,891</u>	<u>\$ -</u>

## **LONG-TERM DEBT**

## EXHIBIT I-1

**NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<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, 2005</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2006</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	9/1/06-07	\$ 110,000	Various	\$ 330,000		\$ 110,000	\$ 220,000
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	8/15/06	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		105,000	2,818,000

## EXHIBIT I-1

**NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<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, 2005</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2006</u>
Construction of an addition and renovation of the Franklin Middle School, including acquisition and installation of furnishings and equipment and site work	2/1/2005	\$ 14,930,000	2/15/07	\$ 350,000	4.000 %				
			2/15/08	370,000	4.000				
			2/15/09	505,000	4.000				
			2/15/10	525,000	4.000				
			2/15/11	550,000	4.000				
			2/15/12	575,000	4.000				
			2/15/13	600,000	4.000				
			2/15/14	625,000	4.000				
			2/15/15-23	650,000	4.000				
			2/15/24	650,000	4.125				
			2/15/25	650,000	4.200				
			2/15/26	665,000	4.250				
			2/15/27-28	670,000	4.300				
			2/15/29	670,000	4.375				
			2/15/30	670,000	4.400				
						<u>\$ 14,930,000</u>	<u>\$ -</u>	<u>\$ 335,000</u>	<u>\$ 14,595,000</u>
						<u>\$ 18,183,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 17,633,000</u>

**NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, July 1, 2005</u>	<u>Issued</u>	<u>Matured</u>	<u>Adjustment</u>	<u>Balance, June 30, 2006</u>
School Buses (2)	\$ 78,216	\$ 44,740		\$ 15,096	\$ 2,152	\$ 31,796
Tractor/Frontloader	54,763	31,325		10,570	1,508	22,263
Dump Truck with Plow	40,002	22,882		7,721	1,100	16,261
School Buses (2)	87,270	61,972		14,390		47,582
Temporary classrooms	60,582		\$ 60,582	20,954		39,628
School Buses (2)	78,214	-	78,214	16,940	-	61,274
		<u>\$ 160,919</u>	<u>\$ 138,796</u>	<u>\$ 85,671</u>	<u>\$ 4,760</u>	<u>\$ 218,804</u>

**NUTLEY BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 1,303,973		\$ 1,303,973	\$ 1,303,973	-
State Sources					
Debt Service Aid Type II	12,407	-	12,407	12,407	-
Total Revenues	1,316,380	-	1,316,380	1,316,380	-
<b>EXPENDITURES</b>					
Regular Debt Service					
Interest	772,874		772,874	772,873	\$ 1
Principal	550,000	-	550,000	550,000	-
Total Expenditures	1,322,874	-	1,322,874	1,322,873	1
Excess of Revenues					
Over/(Under) Expenditures	(6,494)	-	(6,494)	(6,493)	1
Fund Balance, Beginning of Year	21,748	-	21,748	21,748	-
Fund Balance, End of Year	\$ 15,254	\$ -	\$ 15,254	\$ 15,255	\$ 1

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

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

J-14 and J-15

#### **Operating Information**

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

J-16 to J-20

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

Note: With respect to certain exhibits, GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only four years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**EXHIBIT J-1**

**NUTLEY BOARD OF EDUCATION  
NET ASSETS BY COMPONENT,  
LAST FOUR FISCAL YEARS  
(Unaudited)  
(accrual basis of accounting)**

		Fiscal Year Ended June 30,		
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested In Capital Assets, Net Of Related Debt	\$ 333,818	\$ 1,670,765	\$ 2,845,719	\$ 6,629,772
Restricted	116,001	123,200	121,878	174,518
Unrestricted	(1,513,720)	(1,415,465)	(1,276,649)	(356,159)
<b>Total Governmental Activities Net Assets</b>	<b>\$ (1,063,901)</b>	<b>\$ 378,500</b>	<b>\$ 1,690,948</b>	<b>\$ 6,448,131</b>
<b>Business-Type Activities</b>				
Invested In Capital Assets, Net Of Related Debt	\$ 1,677	\$ 8,748	\$ 10,489	\$ 16,034
Restricted				
Unrestricted	201,844	223,447	203,000	283,278
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 203,521</b>	<b>\$ 232,195</b>	<b>\$ 213,489</b>	<b>\$ 299,312</b>
<b>District-Wide</b>				
Invested In Capital Assets, Net Of Related Debt	\$ 335,495	\$ 1,679,513	\$ 2,856,208	\$ 6,645,806
Restricted	116,001	123,200	121,878	174,518
Unrestricted	(1,311,876)	(1,192,018)	(1,073,649)	(72,881)
<b>Total District Net Assets</b>	<b>\$ (860,380)</b>	<b>\$ 610,695</b>	<b>\$ 1,904,437</b>	<b>\$ 6,747,443</b>



**NUTLEY BOARD OF EDUCATION**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental Activities				
Instruction				
Regular	\$ 20,673,488	\$ 21,433,560	\$ 23,414,355	\$ 23,959,344
Special Education	5,084,142	5,265,971	5,601,278	6,022,468
Other Instruction	896,684	1,309,562	1,376,348	719,701
School Sponsored Activities And Athletics	1,091,990	1,017,263	1,022,645	1,008,341
Community Services	5,472	2,272	6,779	7,376
Support Services:				
Student And Instruction Related Services	4,629,760	4,771,305	4,112,190	5,610,289
School Administrative Services	990,620	1,018,272	1,234,261	1,050,539
General Administration	2,691,135	2,960,253	3,008,732	3,212,514
Plant Operations And Maintenance	4,490,099	4,889,636	5,128,519	5,386,167
Pupil Transportation	1,453,598	1,682,776	1,887,946	1,942,437
Business Services	1,044,051	1,223,793	1,207,607	1,189,966
Special Schools	23,778			
Interest On Long-Term Debt	37,790	123,549	414,810	753,496
Total Governmental Activities Expenses	43,112,607	45,698,212	48,415,470	50,862,638
Business-Type Activities:				
Food Service	808,696	868,210	934,786	964,209
Extended Day	529,727	578,851	921,460	774,368
Total Business-Type Activities Expense	1,338,423	1,447,061	1,856,246	1,738,577
Total District Expenses	\$ 44,451,030	\$ 47,145,273	\$ 50,271,716	\$ 52,601,215
<b>Program Revenues</b>				
Governmental Activities:				
Charges For Services:				
Instruction (Tuition)	\$ 30,356	\$ 65,034	\$ 99,750	\$ 90,842
Pupil Transportation	75,146	92,556	113,283	112,160
Operating Grants And Contributions	6,512,610	7,192,163	7,556,423	7,948,034
Capital Grants And Contributions	31,018	1,374,894	1,054,715	3,351,456
Total Governmental Activities Program Revenues	6,649,130	8,724,647	8,824,171	11,502,492

**NUTLEY BOARD OF EDUCATION**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Business-Type Activities:</b>				
Charges For Services				
Food Service	\$ 540,488	\$ 559,363	\$ 582,788	\$ 596,965
Child Care	610,301	637,086	861,812	839,583
Operating Grants And Contributions	83,702	98,902	117,204	121,372
<b>Total Business Type Activities Program Revenues</b>	<b>1,234,491</b>	<b>1,295,351</b>	<b>1,561,804</b>	<b>1,557,920</b>
<b>Total District Program Revenues</b>	<b>\$ 7,883,621</b>	<b>\$ 10,019,998</b>	<b>\$ 10,385,975</b>	<b>\$ 13,060,412</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (36,463,477)	\$ (36,973,565)	\$ (39,591,299)	\$ (39,360,146)
Business-Type Activities	(103,932)	(151,710)	(294,442)	(180,657)
<b>Total District-Wide Net Expense</b>	<b>\$ (36,567,409)</b>	<b>\$ (37,125,275)</b>	<b>\$ (39,885,741)</b>	<b>\$ (39,540,803)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Property Taxes	\$ 32,938,598	\$ 35,213,749	\$ 37,221,009	\$ 40,168,989
State Aid Unrestricted	14,878	13,760	13,101	12,407
Unrestricted Grants And Contributions	2,668,776	3,255,094	3,446,325	3,461,681
Accrued Interest And Premium On Bonds		6,501	15,255	-
Investment Earnings	38,461	55,087	231,777	663,207
Miscellaneous Income	69,992	51,775	253,085	76,045
Transfers	(185,000)	(180,000)	(276,805)	(265,000)
<b>Total Governmental Activities</b>	<b>35,545,705</b>	<b>38,415,966</b>	<b>40,903,747</b>	<b>44,117,329</b>
<b>Business-Type Activities:</b>				
Investment Earnings		384	2,336	1,480
Transfers	185,000	180,000	273,400	265,000
<b>Total Business-Type Activities</b>	<b>185,000</b>	<b>180,384</b>	<b>275,736</b>	<b>266,480</b>
<b>Total District-Wide</b>	<b>\$ 35,730,705</b>	<b>\$ 38,596,350</b>	<b>\$ 41,179,483</b>	<b>\$ 44,383,809</b>
<b>Change in Net Assets</b>				
Governmental Activities	\$ (917,772)	\$ 1,442,401	\$ 1,312,448	\$ 4,757,183
Business-Type Activities	81,068	28,674	(18,706)	85,823
<b>Total District</b>	<b>\$ (836,704)</b>	<b>\$ 1,471,075</b>	<b>\$ 1,293,742</b>	<b>\$ 4,843,006</b>

## EXHIBIT J-3

**NUTLEY BOARD OF EDUCATION**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST FOUR FISCAL YEARS**  
**(Unaudited)**  
*(modified accrual basis of accounting)*

	Fiscal Year Ended June 30,			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ 217,488	\$ 509,136	\$ 575,786	\$ 1,508,438
Unreserved	<u>767,919</u>	<u>696,292</u>	<u>886,742</u>	<u>782,259</u>
Total General Fund	<u>\$ 985,407</u>	<u>\$ 1,205,428</u>	<u>\$ 1,462,528</u>	<u>\$ 2,290,697</u>
All Other Governmental Funds				
Reserved		\$ 1,300,519	\$ 666,809	\$ 13,568,681
Unreserved	<u>\$ (117,919)</u>	<u>(357,591)</u>	<u>13,415,459</u>	<u>(4,634,894)</u>
Total All Other Governmental Funds	<u>\$ (117,919)</u>	<u>\$ 942,928</u>	<u>\$ 14,082,268</u>	<u>\$ 8,933,787</u>

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

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Revenues</b>				
Tax Levy	\$ 32,938,598	\$ 35,213,749	\$ 37,221,009	\$ 40,168,989
Tuition Charges	30,356	65,034	99,750	90,842
Transportation Fees	75,146	92,556	113,283	112,160
Miscellaneous	109,953	109,610	484,862	742,044
State Sources	8,337,946	10,753,639	10,913,026	13,686,119
Federal Sources	872,074	1,031,124	1,157,538	979,667
County Sources				105,000
<b>Total Revenues</b>	<b>42,364,073</b>	<b>47,265,712</b>	<b>49,989,468</b>	<b>55,884,821</b>
<b>Expenditures</b>				
Instruction				
Regular Instruction	20,668,232	21,322,336	23,417,459	23,875,216
Special Education Instruction	5,068,683	5,248,930	5,599,902	6,027,973
Other Instruction	896,684	1,309,562	1,376,348	719,701
School Sponsored Activities And Athletics	1,086,124	1,008,977	1,004,949	996,633
Community Services	5,469	2,269	6,776	7,371
Support Services:				
Student & Inst. Related Services	4,629,961	4,758,589	4,109,036	5,600,901
General Administration	2,666,740	2,939,464	3,003,895	3,212,463
School Administrative Services	921,792	991,275	1,237,401	1,062,993
Plant Operations And Maintenance	4,460,888	4,903,623	5,111,664	5,375,082
Pupil Transportation	1,376,794	1,654,566	1,828,446	1,885,159
Other Support Services	1,076,199	1,196,096	1,206,096	1,199,898
Special Schools	23,778			
Capital Outlay	279,983	3,429,821	3,068,306	8,700,301
Debt Service:				
Principal	115,000	110,000	164,210	635,671
Interest And Other Charges	38,341	31,818	209,560	779,567
<b>Total Expenditures</b>	<b>43,314,668</b>	<b>48,907,326</b>	<b>51,344,048</b>	<b>60,078,929</b>
Excess (Deficiency) Of Revenues				
Over (Under) Expenditures	(950,595)	(1,641,614)	(1,354,580)	(4,194,108)

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

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Other Financing Sources (Uses)</b>				
Serial Bonds Issued		\$ 2,923,000	\$ 14,930,000	
Capital Leases (Non-Budgeted)		172,981	79,165	\$ 138,796
Premium On Bonds		8	15,255	
Accrued Interest On Bonds		6,493		
Transfers In		8,227	37,914	
Transfers Out	\$ (185,000)	(188,227)	(311,314)	(265,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(185,000)</u>	<u>2,922,482</u>	<u>14,751,020</u>	<u>(126,204)</u>
<b>Net Change In Fund Balances</b>	<u>\$ (1,135,595)</u>	<u>\$ 1,280,868</u>	<u>\$ 13,396,440</u>	<u>\$ (4,320,312)</u>
<b>Debt Service As A Percentage Of</b>				
Noncapital Expenditures	0.36%	0.31%	0.77%	2.75%

\* Noncapital expenditures are total expenditures less capital outlay.

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

<b>Fiscal Year Ended June 30</b>	<b><u>Interest</u></b>	<b><u>Tuition</u></b>	<b><u>Transportation</u></b>	<b><u>Rentals</u></b>	<b><u>Admissions</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total</u></b>
2002	\$ 87,745	\$ 95,572	\$ 63,571	\$ 43,430	\$ 15,082	\$ 205,038	\$ 510,438
2003	38,461	30,356	75,146	13,229	13,410	43,353	213,955
2004	53,361	65,034	92,556	13,283	17,713	20,779	262,726
2005	231,777	99,750	113,283	169,667	16,938	64,978	696,393
2006	663,207	90,842	112,160	10,698	13,029	52,318	942,254

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
1997						NOT AVAILABLE						
1998	\$ 1,629,900	\$ 350,601,100			\$ 41,117,000	\$ 77,244,000	\$ 20,218,700	\$ 490,810,700	\$ 2,231,400	\$ 493,042,100	\$1,723,923,427	5.93
1999	4,886,000	350,147,200			40,835,600	73,430,000	19,572,800	488,871,600	2,017,400	490,889,000	1,728,645,229	5.95
2000	4,255,600	352,291,500			41,455,300	72,706,400	19,575,700	490,284,500	1,142,700	491,427,200	1,933,991,342	5.96
2001	2,999,500	361,603,800			40,899,800	70,640,600	19,807,400	495,951,100	1,247,400	497,198,500	2,019,155,469	6.13
2002	1,389,500	375,228,200			40,699,400	70,640,600	19,807,400	507,765,100	-	507,765,100	2,118,335,836	6.31
2003	1,413,600	379,295,500			40,500,500	70,514,100	19,757,400	511,481,100	-	511,481,100	2,411,509,194	6.67
2004	1,647,600	385,167,800			40,873,300	70,412,200	19,652,100	517,753,000	-	517,753,000	2,860,513,812	6.98
2005	1,674,300	386,726,300			40,693,900	68,394,900	19,652,100	517,141,500	862,200	518,003,700	3,506,748,212	7.46
2006	29,733,900	3,313,319,200			622,048,000	21,881,600	162,432,800	4,149,415,500	5,526,600	4,154,942,100	N/A	N/A

Source: County Abstract of Ratables

<sup>a</sup> Tax rates are per \$100

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

<b><u>Assessment Year</u></b>	<b><u>School District</u></b>	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>County Open Space</u></b>	<b><u>Total</u></b>
1996	5.67	3.02	2.67		11.36
1997	5.87	3.21	2.69		11.77
1998	5.93	3.58	2.63		12.14
1999	5.95	3.66	2.62	.04	12.27
2000	5.96	3.66	2.83	.04	12.49
2001	6.13	3.76	2.61	.04	12.54
2002	6.31	4.01	2.59	.04	12.95
2003	6.67	4.30	2.73	.05	13.75
2004	6.98	4.28	2.85	0.06	14.17
2005	7.46	4.95	3.18	0.07	15.66

Source: Township of Nutley, Tax Collector



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

Taxpayer	2006	
	Taxable Assessed Value	% of Total District Net Assessed Value
Hoffman-LaRoche, Inc.	\$ 304,149,696	7.32%
432 Owners Inc.	33,000,000	0.79%
492 River Road LLC-Reckson Assoc.	26,035,600	0.63%
Nutley Properties	20,356,800	0.49%
Village Manor Apts.	17,324,300	0.42%
Public Service Electric & Gas	16,874,600	0.41%
Nutley Shop-Rite	12,458,700	0.30%
NSP Management Co.	8,074,300	0.19%
Arla Assoc.	8,031,200	0.19%
River Road Assoc.	7,267,700	0.17%
Total	<u>\$ 453,572,896</u>	<u>10.92%</u>

	1997	
	Taxable Assessed Value	% of Total District Net Assessed Value
Hoffman-LaRoche, Inc.	\$ 62,573,300	12.80%
N.J. Bell	8,615,309	1.77%
I.T.T. Corp.	8,208,700	1.68%
432 Owners Inc.	3,148,200	0.65%
Village Manor Apts.	2,975,900	0.61%
Nutley Shop-Rite	2,037,500	0.42%
Nutley Properties	1,960,000	0.41%
First Union Bank	1,160,500	0.24%
Willow River Partnership	1,037,200	0.21%
Arla/Landra	973,700	0.20%
	<u>\$ 92,690,309</u>	<u>18.99%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
1997	\$ 28,518,923	\$ 28,518,923	100.00%	N/A
1998	28,810,776	28,810,776	100.00%	N/A
1999	29,674,739	29,674,739	100.00%	N/A
2000	28,757,853	28,757,853	100.00%	N/A
2001	29,734,685	29,734,685	100.00%	N/A
2002	31,225,682	31,225,682	100.00%	N/A
2003	32,938,598	32,938,598	100.00%	N/A
2004	35,213,749	35,213,749	100.00%	N/A
2005	37,221,009	37,221,009	100.00%	N/A
2006	40,168,989	40,168,989	100.00%	N/A

**NUTLEY BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST FOUR FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation	Capital Leases			
2003	\$ 550,000		\$ 550,000	28,105	\$ 20
2004	3,363,000	\$ 135,964	3,498,964	27,815	126
2005	18,183,000	160,919	18,343,919	27,455	668
2006	17,633,000	218,804	17,851,804	27,455	650

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2003	\$ 550,000		\$ 550,000	0.1%	\$ 20
2004	3,363,000		3,363,000	0.6%	121
2005	18,183,000		18,183,000	3.5%	662
2006	17,633,000		17,633,000	0.4%	642

Source: District records

**NUTLEY BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2006  
(Unaudited)**

Net Direct Debt of School District as of June 30, 2006		\$ 17,633,987
Net Overlapping Debt of School District		
Township of Nutley	\$ 17,948,355	
Essex County	17,296,520	
Essex County Utilities Authority (A)	5,150,794	
North Jersey District Water Supply Commission (B)	<u>5,070,297</u>	
		<u>45,465,966</u>
Total Direct and Overlapping Debt as of June 30, 2006		<u>\$ 63,099,953</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2005 equalized value by the total 2005 equalized value for Essex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Township of Nutley 2005 Annual Debt Statement
- (2) Essex County 2005 Annual Debt Statement
- (3) Essex County Utilities Authority
- (4) North Jersey District Water Supply Commission

**NUTLEY BOARD OF EDUCATION  
LEGAL DEBT MARTIN INFORMATION  
LAST EIGHT FISCAL YEARS**

	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 69,376,349	\$ 71,190,773	\$ 74,882,827	\$79,588,532	\$ 85,855,936	\$97,185,344	\$ 116,085,384	\$ 118,610,242
Total Net Debt Applicable To Limit	<u>1,010,000</u>	<u>895,000</u>	<u>780,000</u>	<u>665,000</u>	<u>5,422,673</u>	<u>5,302,928</u>	<u>18,183,987</u>	<u>17,633,987</u>
Legal Debt Margin	<u>\$ 68,366,349</u>	<u>\$ 70,295,773</u>	<u>\$ 74,102,827</u>	<u>\$78,923,532</u>	<u>\$ 80,433,263</u>	<u>\$91,882,416</u>	<u>\$ 97,901,397</u>	<u>\$ 100,976,255</u>
Total net debt applicable to the limit as a percentage of debt limit	1.46%	1.26%	1.04%	0.84%	6.32%	5.46%	15.66%	14.87%

**Legal Debt Margin Calculation for Fiscal Year 2006**

	Equalized valuation basis
	2005 \$ 3,905,902,568
	2004 3,486,552,189
	2003 <u>2,825,862,431</u>
	<u>\$ 10,218,317,188</u>
Average equalized valuation of taxable property	\$ 3,406,105,729
Debt limit (4 % of average equalization value)	136,244,229
Total Net Debt Applicable to Limit	<u>17,633,987</u>
Legal debt margin	<u>\$ 118,610,242</u>

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

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1997	25,800	\$ 30,583	6.50%
1998	25,867	32,565	3.20%
1999	25,764	33,626	3.30%
2000	27,362	37,033	2.70%
2001	27,941	38,077	3.10%
2002	28,088	37,729	4.20%
2003	28,105	38,607	4.20%
2004	27,815	40,634	3.40%
2005	27,455	N/A	3.60%
2006	27,455	N/A	N/A

Source: New Jersey State Department of Education

N/A - Information Not Available

**NUTLEY BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

<u>2006</u>			<u>1997</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Hoffman-LaRoche	4,305		<b>NOT AVAILABLE</b>	
Nutley Board of Education	700			
Nutley Shop-Rite	385			
Township of Nutley and Library	370			
Franklin Steakhouse	55			
	<u>5,815</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>

Source: Township of Nutley



**NUTLEY BOARD OF EDUCATION**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST FISCAL YEAR**  
**(Unaudited)**

	<u>2006</u>
<b><u>Function/Program</u></b>	
Instruction	
Regular	231
Special education	31
Support Services:	
Student & instruction related services	47
School administrative services	10
Other administrative services	12
Central services	19
Administrative Information Technology	3
Plant operations and maintenance	42
Pupil transportation	31
Other support services	65
Food Service	16
Total	<u><u>507</u></u>

**Source:** District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures	(A)	Cost Per Pupil	Percentage Change	Teacher/Pupil Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Teaching Staff <sup>b</sup>	Elementary	Middle School	Senior High School				
1997	3,811	\$ 33,639,179		\$ 8,827		N/A	N/A	N/A	N/A	3,811	3,603		94.54%
1998	3,914	34,080,666		8,707	-1.35%	N/A	N/A	N/A	N/A	3,914	3,713	2.70%	94.86%
1999	3,936	36,268,392		9,215	5.82%	N/A	N/A	N/A	N/A	3,936	3,741	0.56%	95.05%
2000	3,996	37,036,457		9,268	0.58%	N/A	N/A	N/A	N/A	3,996	3,797	1.52%	95.02%
2001	4,032	38,631,744		9,581	3.38%	N/A	N/A	N/A	N/A	4,032	3,826	0.90%	94.89%
2002	4,112	40,416,504		9,829	2.58%	N/A	N/A	N/A	N/A	4,112	3,908	1.98%	95.04%
2003	4,204	43,196,748		10,275	4.54%	N/A	N/A	N/A	N/A	4,204	3,981	2.24%	94.70%
2004	4,199	45,714,302		10,887	5.95%	N/A	N/A	N/A	N/A	4,199	3,984	-0.12%	94.88%
2005	4,235	48,460,759		11,443	5.11%	N/A	N/A	N/A	N/A	4,235	4,022	0.86%	94.97%
2006	4,180	51,585,485		12,341	7.85%	308.3	11	22	14	4,180	3,978	-1.30%	95.17%

Sources: District records

(A) Includes General, Special Revenue and Debt Service Funds

**NUTLEY BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TWO FISCAL YEARS  
(Unaudited)**

	<u>2005</u>	<u>2006</u>
<b><u>District Building</u></b>		
<b><u>Nutley High School</u></b>		
Square Feet	192,260.00	192,260.00
Capacity (students)	909.62	909.62
Enrollment	1,366.50	1,357.50
<b><u>Franklin Middle School</u></b>		
Square Feet	92,010.00	92,010.00
Capacity (students)	412.99	412.99
Enrollment <sup>a</sup>	683.00	665.00
<b><u>Radcliffe Elementary School</u></b>		
Square Feet	45,305.00	45,305.00
Capacity (students)	412.69	412.69
Enrollment	363.00	366.00
<b><u>Yantacaw Elementary School</u></b>		
Square Feet	49,512.00	49,512.00
Capacity (students)	439.76	439.76
Enrollment	504.00	507.00
<b><u>Washington Elementary School</u></b>		
Square Feet	49,097.00	49,097.00
Capacity (students)	351.65	351.65
Enrollment	399.00	387.00
<b><u>Spring Garden Elementary School</u></b>		
Square Feet	43,955.00	43,955.00
Capacity (students)	378.62	378.62
Enrollment	421.00	394.00
<b><u>Lincoln Elementary School</u></b>		
Square Feet	56,342.00	56,342.00
Capacity (students)	462.62	462.62
Enrollment	510.00	503.00

**NUTLEY BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TWO FISCAL YEARS  
(Unaudited)**

	<u>2005</u>	<u>2006</u>
<u>Other</u>		
Maintenance Warehouse		
Square Feet	53,868.00	53,868.00
Demuro Park Field House		
Square Feet	4,848.00	4,848.00
Oval Refreshment Stand		
Square Feet	1,309.00	1,309.00
Storage Shed		
Square Feet	912.00	912.00

Number of Schools at June 30, 2006

    Elementary = 5

    Middle School = 1

    High School = 1

    Other = 4

Source: District Records

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST SIX YEARS  
(Unaudited)**

	<b>Project #(s)</b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>School Facilities</b>							
Nutley High School	N/A	\$ 208,586	\$ 189,012	\$ 205,791	\$ 196,304	\$ 290,851	\$ 349,696
Franklin Middle School	N/A	99,823	90,455	95,956	101,344	109,741	83,399
Lincoln Elementary School	N/A	61,092	55,359	61,793	34,291	32,516	119,064
Radcliffe Elementary School	N/A	49,152	44,540	40,903	61,179	100,198	46,072
Spring Garden Elementary School	N/A	50,074	45,375	37,953	85,534	70,098	71,788
Washington Elementary School	N/A	54,479	49,367	52,187	117,257	116,780	81,374
Yantacaw Elementary School	N/A	<u>54,045</u>	<u>48,974</u>	<u>44,765</u>	<u>90,101</u>	<u>84,551</u>	<u>74,337</u>
Total School Facilities		577,251	523,082	539,348	686,010	804,735	825,730
<b>Other Facilities</b>							
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total		<u>\$ 577,251</u>	<u>\$ 523,082</u>	<u>\$ 539,348</u>	<u>\$ 686,010</u>	<u>\$ 804,735</u>	<u>\$ 825,730</u>

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
JUNE 30, 2006  
(Unaudited)**

	<u>Insurance Company</u>	<u>Coverage</u>	<u>Deductible</u>
All Real and Personal Property and Theft of Contents	Suburban Essex JIF Selective Insurance	\$ 100,000 149,899,500	\$ 500 100,500
Money and Security Loss	Suburban Essex JIF Selective Insurance	100,000 149,500	500 100,500
General Liability (BI and PD)	Suburban Essex JIF School Pool for Excess Liability Limits JIF	150,000 9,850,000	N/A 150,000
Automobile Liability	Suburban Essex JIF School Pool for Excess Liability Limits JIF	150,000 9,850,000	N/A 150,000
Excess School Liability (GL and AL)	Selective Insurance Co.	9,850,000	150,000
School Board Legal Liability	Suburban Essex JIF Selective Insurance Co.	100,000 10,000,000	N/A 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 School Pool for Excess Liability Limits JIF Selective Reinsurance Corp	250,000 150,000 Statutory Cov A 9,750,000 Cov B	N/A 100,000 250,000 250,000
Public Official Bonds			
Dave Wilson	Selective	275,000	N/A
Dennis Oblack	RLI Insurance Company	3,000	N/A
Michael DeVita	RLI Insurance Company	3,000	N/A

Source: School District's records

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**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

Page 1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
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DEBORAH KOZAK, CPA, PSA

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

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, 2006, which collectively comprise the Nutley Board of Education's basic financial statements and have issued our report thereon dated August 18, 2006. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nutley Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nutley Board of Education's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

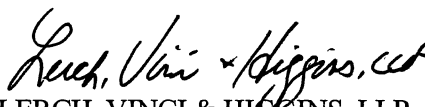
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting 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 not considered to be a material weakness.


### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we have reported to management of the Nutley Board of Education in a separate report entitled, "Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated August 18, 2006.

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  
August 18, 2006

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

Page 1

CERTIFIED PUBLIC ACCOUNTANTS  
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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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 Aid/Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2006. 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, 2006.


### 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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  
August 18, 2006

**NUTLEY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2005	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance June 30, 2006			
										(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education Passed Through State Department of Education													
Special Revenue Fund:													
Title I	84.010	9/1/05-8/31/06	\$ 166,043			\$ 166,043	\$ 159,348			\$ 6,695			
Title I, Carryover	84.010	9/1/03-8/31/04		\$ 90			90						
Title I SIA	84.010	9/1/05-8/31/06				2,580	2,580						
Title I	84.010	9/1/04-8/31/05	201,529	7,630	\$ (7,630)								
Title I, Carryover	84.010	9/1/02-8/31/03	230,160		7,630		12,333				3,057		
Title III Part A	84.365	9/1/05-8/31/06	29,294			27,271	28,339						
Title III Part A, carryover	84.365	9/1/03-8/31/04		1,174			1,174						
Title III	84.365	9/1/04-8/31/05	16,065	447	(447)								
Title III, Carryover	84.365	9/1/02-8/31/03	12,176		447		250				197		
Title V Part A	84.298	9/1/05-8/31/06	10,204			10,204	9,618				586		
Title V Part A, Carryover	84.298	9/1/03-8/31/04		114			114						
Title V	84.298	9/1/04-8/31/05	51,294	2,138	(2,138)								
Title V, Carryover	84.298	9/1/02-8/31/03	19,515		2,138		2,138						
Title VI - Class Size Reduction, Carryover	84.340	9/1/01-8/31/02	59,552										
IDEA Part B	84.027	9/1/05-8/31/06	751,251			751,251	528,490				222,761		
IDEA Part B Carryover	84.027	9/1/03-8/31/04	630,732	5									
IDEA Part B, Carryover	84.027	9/1/03-8/31/04											
IDEA Part B	84.027	9/1/04-8/31/05	723,478	71,031	5		71,031					5	
IDEA Part B, Carryover	84.027	9/1/02-8/31/03	519,276	125								125	
IDEA Part B Preschool	84.027	9/1/05-8/31/06	29,652			29,652	29,652						
IDEA Part B Preschool	84.027	9/1/04-8/31/05	29,830	187	(187)								
IDEA Part B Preschool, Carryover	84.027	9/1/02-8/31/03	26,085		187		187						
IDEA Part B Preschool, Carryover	84.027	9/1/01-8/31/02	27,657										
Carl D. Perkins- Secondary	84.048	7/1/03-6/30/04	21,215										
Carl D. Perkins- Secondary	84.048	7/1/05-6/30/06	18,865			18,865	18,865						
Title IV Part A Carryover	84.188	9/1/03-8/31/04			7,759								
Title IV Part A	84.188	9/1/03-8/31/04	15,055	7,759	(7,759)								
Title IV (Drug Education)	84.188	9/1/05-8/31/06	13,493			13,493	7,118				6,375		
Title IV (Drug Education)	84.188	9/1/04-8/31/05	13,963	6,291	(6,291)								
Title IV (Drug Education), Carryover	84.188	9/1/02-8/31/03	16,092		6,291		2,254				4,037		
Title II Part A	84.367	9/1/05-8/31/06	101,351			101,351	100,101				1,250		
Title II Part A, Carryover	84.367	9/1/03-8/31/04		4,903	2,787		7,573				117		
Title II Part A	84.367	9/1/04-8/31/05	65,644	2,787	(2,787)								
Title II Part A	84.367	9/1/05-8/31/06	3,054			3,054	1,491				1,563		
Title II Part D	84.168	9/1/03-8/31/04	5,780										
Title II Part D, Carryover	84.168	9/1/03-8/31/04											
Title II Part D	84.168	9/1/04-8/31/05	5,149	999	(999)								
Title II Part D, Carryover	84.168	9/1/02-8/31/03	6,561		999		769				230		
School To Career	N/A	N/A	805	258									
Technology Literacy Challenge	84.318	4/1/99-3/31/00	95,000	(441)	-	-	-	-	-	(441)	-	258	
Total Special Revenue Fund				105,497	5	1,123,764	983,515	-	-	(441)	246,868	388	
U.S.D.A. Department of Agriculture Passed Through State Department of Education													
Enterprise Fund:													
Food Distribution Program	10.550	7/1/05-6/30/06	28,145			28,146	25,015				3,131		
National School Lunch Program	10.555	7/1/04-6/30/05	62,361	(5,288)		5,288							
National School Lunch Program	10.555	7/1/05-6/30/06	83,159	-	-	83,159	89,046	-	-	(5,887)	-	-	
Total Enterprise Fund				(5,288)	-	116,593	114,061	-	-	(5,887)	3,131	-	
U.S.D.A. Department of Housing and Urban Development Passed Through State Department of Education													
Capital Projects Fund													
Community Development Block Grant		7/1/05-6/30/06	40,000	(34,000)	-	-	6,000	-	-	(40,000)	-	-	
Total Federal Financial Awards				\$ 66,209	\$ 5	\$ 1,240,357	\$ 1,103,576	\$ -	\$ -	\$ (46,328)	\$ 249,999	\$ 388	

(A)- Encumbrances Cancelled

**NUTLEY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

State Department of Education	Grant or State Project Number	Grant	Award Amount	Balance June 30, 2005	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2006			Memorandum	
									(Accts. Receivable)	Deferred Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
General Fund:													
Core Curriculum Aid	06-495-034-5120-022	7/1/05-6/30/06	\$ 2,799,975			\$ 2,681,983	\$ 2,799,975		\$ (117,992)			*	\$ 2,799,975
Core Curriculum Aid	05-495-034-5120-022	7/1/04-6/30/05	2,799,975	(129,443)		129,443						*	
Transportation Aid	06-495-034-5120-014	7/1/05-6/30/06	345,006			327,756	345,006		(17,250)			*	345,006
Transportation Aid	05-495-034-5120-014	7/1/04-6/30/05	345,006	(15,950)		15,950						*	
Special Education Aid	06-495-034-5120-011	7/1/05-6/30/06	2,235,481			2,123,707	2,235,481		(111,774)			*	2,235,481
Special Education Aid	05-495-034-5120-011	7/1/04-6/30/05	2,235,481	(103,346)		103,346						*	
Bilingual Education	06-495-034-5120-008	7/1/05-6/30/06	65,426			62,155	65,426		(3,271)			*	65,426
Bilingual Education	05-495-034-5120-008	7/1/04-6/30/05	65,426	(3,025)		3,025						*	
Consolidated Aid	06-495-034-5120-057	7/1/05-6/30/06	475,088			451,329	475,088		(23,759)			*	475,088
Consolidated Aid	05-495-034-5120-053	7/1/04-6/30/05	475,088	(21,963)		21,963						*	
Extraordinary Aid	06-495-034-5120-044	7/1/05-6/30/06	198,148				198,148		(198,148)			*	198,148
Extraordinary Aid	05-495-034-5120-044	7/1/04-6/30/05	208,138	(208,138)		208,138						*	
Additional Formula Aid	06-495-034-5120-058	7/1/05-6/30/06	177,629			168,752	177,629		(8,877)			*	177,629
Additional Formula Aid	06-495-034-5120-058	7/1/04-6/30/05	177,629	(8,212)		8,212						*	
TPAF Pension Contribution-Normal	04-495-034-5095-116	7/1/05-6/30/06	262,494			262,494	262,494					*	262,494
TPAF Social Security Contribution	04-495-034-5095-002	7/1/05-6/30/06	1,767,457			1,678,124	1,767,457		(89,333)			*	1,767,457
TPAF Social Security Contribution	04-495-034-5095-002	7/1/04-6/30/05	1,549,024	(88,790)		88,790						*	
TPAF Pension Contribution- Post Retirement	06-100-034-5095-001	7/1/05-6/30/06	1,803,603	-	-	1,803,603	1,803,603	-	-	-	-	*	1,803,603
												*	
Total General Fund				(578,867)	-	10,138,770	10,130,307	-	(570,404)	-	-	*	10,130,307
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbooks	05-100-034-5120-064	7/1/04-6/30/05	35,075	128				\$ 128				*	
Textbooks	06-100-034-5120-064	7/1/05-6/30/06	36,897			36,897	36,574				\$ 323	*	36,574
Auxiliary Services												*	
Compensatory Education	06-100-034-5120-067	7/1/05-6/30/06	96,575			96,757	86,134				10,623	*	86,134
Compensatory Education	05-100-034-5120-067	7/1/04-6/30/05	99,668	3,003				3,003				*	
Compensatory Education	00-100-034-5120-067	7/1/99-6/30/00	90,611	(340)					(340)			\$ 340	
English as a Second Language	06-100-034-5120-067	7/1/05-6/30/06	4,459			4,459	3,695				764	*	3,695
English as a Second Language	05-100-034-5120-067	7/1/04-6/30/05	2,548	1,529				1,529				*	
Transportation	06-100-034-5120-067	7/1/05-6/30/06	11,956			11,956	11,956					*	11,956
Home Instruction	06-100-034-5120-067	7/1/05-6/30/06	11,520			11,520			(11,520)			*	11,520
Handicapped Services												*	
Supplemental Instruction	06-100-034-5120-066	7/1/05-6/30/06	21,476			21,476	15,611				5,865	*	15,611
Supplemental Instruction	05-100-034-5120-066	7/1/04-6/30/05	21,476	4,791				4,791				*	
Examination and Classification	06-100-034-5120-066	7/1/05-6/30/06	28,215			28,215	19,880				8,335	*	19,880
Examination and Classification	05-100-034-5120-066	7/1/04-6/30/05	35,310	9,925				9,925				*	
Corrective Speech	06-100-034-5120-066	7/1/05-6/30/06	27,900			27,900	21,948				5,952	*	21,948
Corrective Speech	05-100-034-5120-066	7/1/04-6/30/05	37,200	16,833				16,833				*	
Nonpublic Nursing	06-100-034-5120-070	7/1/05-6/30/06	43,659			43,659	43,659					*	43,659
Nonpublic Technology Initiative	06-100-034-5120-373	7/1/05-6/30/06	23,520			23,520	23,520					*	23,520
Nonpublic Technology Initiative	00-100-034-5120-373	7/1/99-6/30/00	27,000	(354)					(354)			*	354
Character Education	06-100-034-5120-053	7/1/05-6/30/06	11,433			11,433	4,130			\$ 7,303		*	4,130
Character Education	05-100-034-5120-053	7/1/04-6/30/05	11,386	10,883			10,883					*	10,883
Character Education	02-100-034-5120-053	7/1/01-6/30/02	11,346	3,488							3,488	*	
I.D.E.A.	N/A	7/1/01-6/30/02	4,000	115							115	*	
Distance Learning Network, Carryover	03-100-034-5120-348	7/1/02-6/30/03	182,003									*	
Teacher Mentoring	N/A	7/1/05-6/30/06	4,116			4,116	3,521			595		*	3,521
Teacher Mentoring	N/A	7/1/05-6/30/06	616		\$ 616		616					*	616
Teacher Mentoring	N/A	7/1/04-6/30/05	7,610	616	(616)							*	
Statewide Systematic	06-100-034-5120-348	7/1/05-6/30/06	297			297	297					*	297
Statewide Systematic	05-100-034-5120-348	7/1/04-6/30/05	10,000	(1,203)	-	-	-	-	-	-	-	*	-
												*	
Total Special Revenue Fund				49,414	-	310,685	293,944	36,209	(12,214)	7,898	35,465	*	293,944
Capital Projects Fund													
Educational Facilities												*	
Construction and Financing Act	3750-050-03-1027	7/1/03-6/30/06	10,718,686	(485,423)	-	-	3,240,456	-	8,900,788	5,174,909	-	*	3,240,456
Debt Service Fund:													
Debt Service Aid Type II	06-495-034-5120-017	7/1/05-6/30/06	12,407	-	-	12,407	12,407	-	-	-	-	*	12,407
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program	06-100-034-5120-122	7/1/05-6/30/06	6,815			6,815	7,311		(496)			*	7,311
National School Lunch Program	05-100-034-5120-122	7/1/04-6/30/05	6,475	(469)	-	469	-	-	-	-	-	*	-
												*	
				-	-	7,284	7,311	-	(496)	-	-	*	7,311
												*	
Total State Financial Assistance				\$ (1,014,876)	\$ -	\$ 10,469,146	\$ 13,684,425	\$ 36,209	\$ 8,317,674	\$ 5,182,807	\$ 35,465	*	\$ 13,684,425

(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, 2006**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$9,005 for the general fund and \$9,848 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 presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 10,139,312	\$ 10,139,312
Special Revenue Fund	\$ 973,667	293,944	1,267,611
Capital Projects Fund	6,000	3,240,456	3,246,456
Debt Service Fund		12,407	12,407
Food Service Fund	<u>114,061</u>	<u>7,311</u>	<u>121,372</u>
Total Financial Assistance	<u>\$ 1,093,728</u>	<u>\$ 13,693,430</u>	<u>\$ 14,787,158</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, 2006**

**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, 2006. 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, 2006.



**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

*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?

  X   yes                 none reported

Noncompliance material to the basic financial statements noted?

  X   yes                 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.550</u>	<u>Food Distribution Program</u>
<u>          </u>	<u>          </u>

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, 2006**

***Part I – Summary of Auditor's Results***

**State 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 weakness(es)            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 N.J. Circular Letter 04-04?

           yes       X       no

Identification of major state programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>06-495-034-5120-053</u>	<u>Consolidated Aid</u>
<u>06-495-034-5120-022</u>	<u>Core Curriculum Standards Aid</u>
<u>06-495-034-5120-011</u>	<u>Special Education Aid</u>
<u>06-495-034-5120-008</u>	<u>Bilingual Education Aid</u>
<u>06-495-034-5120-057</u>	<u>Consolidated Aid</u>
<u>06-495-034-5120-058</u>	<u>Additional Formula Aid</u>
<u>06-495-034-5095-002</u>	<u>TPAF Social Security Contribution</u>

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, 2006**

***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*.

**Finding 2006-1**

Our audit of the Capital Projects Fund noted purchase orders included in the balance of reserve for encumbrances which were determined to be accounts payable. These purchase orders totaled \$2,324,176.

**Criteria or specific requirement**

State Department of Education's GAAP Technical Systems Manual pursuant to N.J.S.A. 18A:4-14 and N.J.A.C. 6:20-2A.

**Condition**

Reserve for encumbrances were overstated in the District's financial reports at year end. Accounts payable were understated at year end.

**Questioned Costs**

None. Adjustments have been made to the basic financial statements.

**Context**

Open purchase orders should be reviewed at year end for proper financial statement classifications. Accounts payable were understated by \$2,324,176 at June 30, 2006 in the District's financial statements.

**Effect**

Accounts payable were understated, reserve for encumbrances were overstated.

**Recommendation**

Outstanding capital project purchase orders be reviewed at year end to determine their proper financial statement classification.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

***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, 2006**

***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**

There are none.

**NUTLEY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**

There were none.