

**NUTLEY BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Nutley, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
Nutley Board of Education  
Nutley, New Jersey  
For The Fiscal Year Ended June 30, 2007**

**Prepared by  
Business Office**

**NUTLEY BOARD OF EDUCATION  
TABLE OF CONTENTS**

**Page**

**INTRODUCTORY SECTION**

Letter of Transmittal	i-vii
Organizational Chart	viii
Roster of Officials	ix
Consultants and Advisors	x

**FINANCIAL SECTION**

Independent Auditors' Report	1-2
------------------------------	-----

**REQUIRED SUPPLEMENTARY INFORMATION- PART I**

Management's Discussion and Analysis	3-15
--------------------------------------	------

**Basic Financial Statements**

**A. District-Wide Financial Statements**

A-1 Statement of Net Assets	16
A-2 Statement of Activities	17-18

**B. Fund Financial Statements**

***Governmental Funds***

B-1 Balance Sheet	19
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	20
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the District-Wide Statements	21

***Proprietary Funds***

B-4 Statement of Net Assets	22
B-5 Statement of Revenues, Expenses, and Changes in Net Assets	23
B-6 Statement of Cash Flows	24

***Fiduciary Funds***

B-7 Statement of Fiduciary Net Assets	25
B-8 Statement of Changes in Fiduciary Net Assets	26

Notes to the Basic Financial Statements	27-47
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**NUTLEY BOARD OF EDUCATION  
TABLE OF CONTENTS**

**Page**

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**C. Budgetary Comparison Schedules**

C-1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	48-54
C-2	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual - Special Revenue Fund	55
C-3	Notes to the Required Supplementary Information	56

**OTHER SUPPLEMENTARY INFORMATION**

**D. School Level Schedules (Not Applicable)**

**E. Special Revenue Fund**

E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	57-60
E-2	Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis – N/A	61
E-3	Schedule of Early Childhood Program Aid Expenditures – Budgetary Basis – N/A	61
E-4	Schedule of Instructional Supplement Aid Expenditures – Budgetary Basis – N/A	61
E-5	Schedule of Distance Learning Network Aid Expenditures – Budgetary Basis	61

**F. Capital Projects Fund**

F-1	Summary Schedule of Project Expenditures	62
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance	63
F-2a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status –	
F-2i	Budgetary Basis	64-72

**G. Proprietary Funds**

*Enterprise Fund*

G-1	Combining Statement of Net Assets – N/A	73
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – N/A	73
G-3	Combining Statement of Cash Flows – N/A	73



**NUTLEY BOARD OF EDUCATION  
TABLE OF CONTENTS**

**Page**

**G. Proprietary Funds (Continued)**

*Internal Service Fund – N/A*

**H. Fiduciary Funds**

H-1	Combining Statement of Fiduciary Net Assets	74
H-2	Combining Statement of Changes in Net Assets – N/A	75
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	76
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	77

**I. Long-Term Debt**

I-1	Schedule of Serial Bonds	78-79
I-2	Schedule of Obligations under Capital Leases	80
I-3	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	81

**J. STATISTICAL SECTION (Unaudited)**

J-1	Net Assets by Component	82
J-2	Changes in Net Assets	83-84
J-3	Fund Balances – Governmental Funds	85
J-4	Changes in Fund Balances, Governmental Funds	86
J-5	General Fund Other Local Revenue by Source	87
J-6	Assessed Value and Actual Value of Taxable Property	88
J-7	Direct and Overlapping Property Tax Rates	89
J-8	Principal Property Taxpayers	90
J-9	Property Tax Levies and Collections	91
J-10	Ratios of Outstanding Debt by Type	92
J-11	Ratios of Net General Bonded Debt Outstanding	93
J-12	Direct and Overlapping Governmental Activities Debt	94
J-13	Legal Debt Margin Information	95
J-14	Demographic and Economic Statistics	96
J-15	Principal Employers	97
J-16	Full-Time Equivalent District Employees by Function/Program	98
J-17	Operating Statistics	99
J-18	School Building Information	100-101
J-19	Schedule of Required Maintenance for School Facilities	102
J-20	Schedule of Insurance	103

**NUTLEY BOARD OF EDUCATION  
TABLE OF CONTENTS**

**Page**

**K.**

**SINGLE AUDIT SECTION**

K-1	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	104-105
K-2	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 Letter 04-04	106-107
K-3	Schedule of Expenditures of Federal Awards, Schedule A	108
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	109
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	110-111
K-6	Schedule of Findings and Questioned Costs	112-120
K-7	Summary Schedule of Prior Year Audit Findings	121

## **INTRODUCTORY SECTION**

# **THE NUTLEY PUBLIC SCHOOLS**

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**Superintendent of Schools**  
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**Robert A. Green, Jr.**  
**Business Administrator/  
Board Secretary**  
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November 5, 2007

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

Dear Trustees:

State Department of Education statutes require that all local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Nutley Board of Education for the fiscal year ended June 30, 2007.

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, 2007, 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, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

The District provides a full range of education services to grade levels K through 12. These include regular, as well as special education for handicapped youngsters. The District completed the 2006-07 fiscal year with an average daily enrollment of 4,065 students, which is 115 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>
2006-07	4,065	(2.75%)
2005-06	4,180	(1.29%)
2004-05	4,234	0.8%
2003-04	4,199	(0.1%)
2002-03	4,204	2.2%

**2) ECONOMIC CONDITION AND OUTLOOK:** The taxable net valuation increased from \$4,154,942,100 to \$4,163,063,500, an increase of \$8,121,400.

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 Board developed a plan for school expansion as was noted in the district's Long-Range Facility Plan, which was submitted to the Department of Education in 2006. 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 John H. Walker Middle School. That project is in the final stages of completion. Voters then approved a \$38.5 million referendum in December 2006 for renovations to all Elementary Schools and the Nutley High School for health and safety issues.

Labor force statistics for 2006 noted an unemployment rate of 3.9%, which was below the county average of 5.8%.

**3) MAJOR INITIATIVES:** The 2006-07 school year was a successful one for the Nutley District. Positive pupil performance results and low per pupil costs were once again in evidence.

The High School Proficiency Assessment (HSPA) was administered in March 2007, with 97.4% of Nutley's students passing the language arts section, and 88.8% of our students passing the math section.

SAT critical reading scores exceeded state averages by four points and national averages were consistent with Nutley students. Results in math scores exceeded state averages by six points and national averages by 1 point. Results in writing scores exceeded state averages by five points and national averages by five points.

The Grade Eight Proficiency Assessment (GEPA) was administered in March 2007. Nutley pupils were ranked proficient or advanced proficient as follows: Math – 88%, Language Arts – 88.8%, Science – 96.8%.

The NJ Assessment of Skills & Knowledge – Grade 3 (NJASK 3) is given to all third graders. For the 2007 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 96.7%; Language Arts – 95.5%.

The NJ Assessment of Skills & Knowledge – Grade 4 (NJASK 4) is given to all fourth graders. For the 2007 test the percentage of Nutley's pupils demonstrating proficiency was as follows: Math – 93.8%; Language Arts – 91.7%; Science – 94.6%.

The NJ Assessment of Skills & Knowledge – Grade 5 (NJASK 5) is given to all third graders. For the 2007 test the percentage of Nutley’s pupils demonstrating proficiency was as follows: Math – 93.3%; Language Arts – 97.4%.

The NJ Assessment of Skills & Knowledge – Grade 6 (NJASK 6) is given to all third graders. For the 2007 test the percentage of Nutley’s pupils demonstrating proficiency was as follows: Math – 98.3%; Language Arts – 96.2%.

The NJ Assessment of Skills & Knowledge – Grade 7 (NJASK 7) is given to all third graders. For the 2007 test the percentage of Nutley’s pupils demonstrating proficiency was as follows: Math – 86.2%; Language Arts – 96.6%.

The graduating class of 2007 had 91% of its members going on to post-secondary education. 72% will be attending four-year colleges and universities. Scholarships and grants awarded to 2007 graduates were approximately \$3.9 million. The District had two finalists for the National Merit Scholarship, four commended students for the National Merit Scholarship, 16 Edward J. Bloustein Distinguished Scholars, 11 Advanced Placement Scholars and two Advanced Placement Scholars with Distinction.

In extra-curricular activities, Nutley continues to outpace the majority of New Jersey districts as evidenced by a budget of \$260 per pupil compared to a statewide average for K-12 of \$227. 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 alignment with core standards in social studies grades three & four, essential questions in social studies grade eight and grade eight vector, world languages honors level courses and a homebound policy committee. Professional development activities included an A.E.D. defibrillator workshop, American Red Cross training, designing technology integrated lessons, ITIP workshop, integrating technology workshop, web page design workshop, mathematics workshop, solo software workshop, smartboard workshop, suicide awareness workshop and numerous technology resources.

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 2007, the district spent \$9,869 per pupil compared to a statewide K-12 average of \$11,857. The Guide also reported that the district's budget for 2006-07 was based on \$10,164 per pupil, compared to the New Jersey state average of \$12,180.

The school tax levy was approved by a margin of 1,793 – 1,175. A second question was also approved by a margin of 1,606 – 1,181 for technology upgrades in all seven district schools.

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, 2007.

**6) DEBT ADMINISTRATION:** As of June 2007, the District's outstanding debt is \$17,063,000 which includes \$110,000 of general obligation bonds and \$16,953,000 of school bonds. An additional \$38.5 million of school bonds were issued subsequent to June 30 to finance improvements to the elementary schools and high school.



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

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

Additional school bonds were issued in February of 2005 in the amount of \$14,930,000, having been approved by the voters in September of 2004. Bond proceeds will be used to finance major renovations/additions to the John H. Walker 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.

The remaining school bonds were issued in June of 2007 in the amount of \$38,500,000, having been approved by voters in December of 2006. Bond proceeds will be used on all Elementary Schools and the High School to finance new roofs, exterior skin/brick restoration, new vinyl windows in the Elementary Schools, security systems, new boilers and unit vents, bathroom renovations, hazardous materials abatement, new HVAC and a new elevator and gymnasium at Spring Garden Elementary School.

**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," Note 2. The District's cash management plan has all public funds deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protections Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

## **9) OTHER INFORMATION:**


**A) Independent Audit** - State statutes require an annual audit by licensed public school accountants who are independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, L.L.P. was selected by the Board at a public meeting held on May 4, 2006. 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 and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,



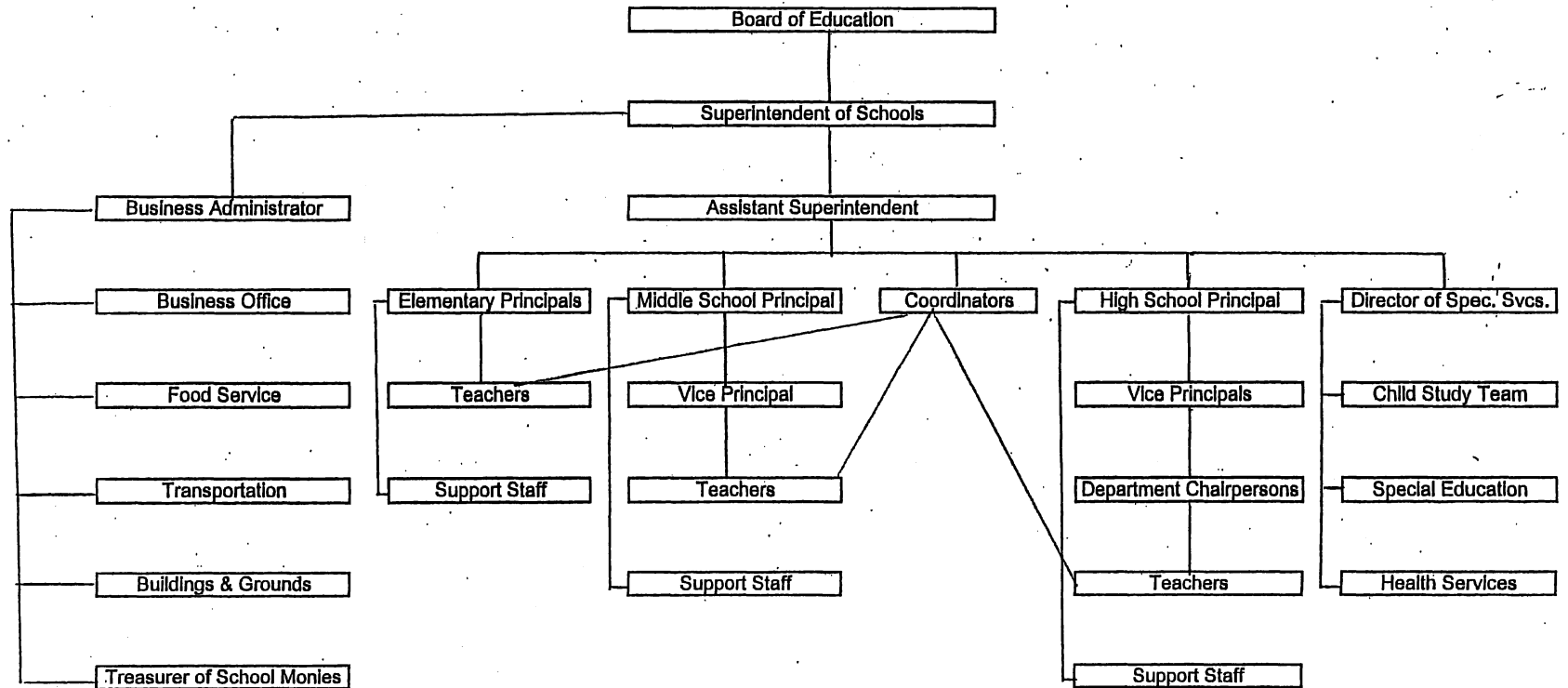
**JOSEPH ZARRA**  
Superintendent of Schools



**ROBERT A. GREEN, JR.**  
Business Administrator/  
Board Secretary

**NUTLEY PUBLIC SCHOOLS**  
**375 BLOOMFIELD AVE.**  
**NUTLEY, NJ 07110**

viii



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

## **ROSTER OF OFFICIALS JUNE 30, 2007**

<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	2010
Angelo Frannicola	2010
James Kuchta	2010
Vincent Moscaritola	2008
James Viola	2009
Patricia Williams	2009

### **Other Officials**

Joseph Zarra – Superintendent of Schools

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

David Wilson - Treasurer of School Monies

Frank Pomaco, Esq. - Solicitor

**NUTLEY BOARD OF EDUCATION**  
Consultants and Advisors

**Attorney**

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**Independent Auditors**

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**Official Depository**

Commerce Bank  
575 Kingsland Street  
Nutley, NJ 07110

## **FINANCIAL SECTION**

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JULIUS B. CONSONI, CPA, PSA

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ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nutley Board of Education as of and for the fiscal year ended June 30, 2007, 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, 2007, 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 November 5, 2007 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 fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in 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  
November 5, 2007



## **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, 2007. 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 2006-2007 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 \$13,044,286.
- Overall district revenues were \$62,470,254. General revenues accounted for \$46,243,017 or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,227,237 or 26% of total revenues.
- The school district had \$54,453,537 in expenses for governmental activities; only \$16,227,237 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$46,243,017 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,001,325.
- The General Fund fund balance at June 30, 2007 was \$1,656,234, a decrease of \$634,463 from the June 30, 2006 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

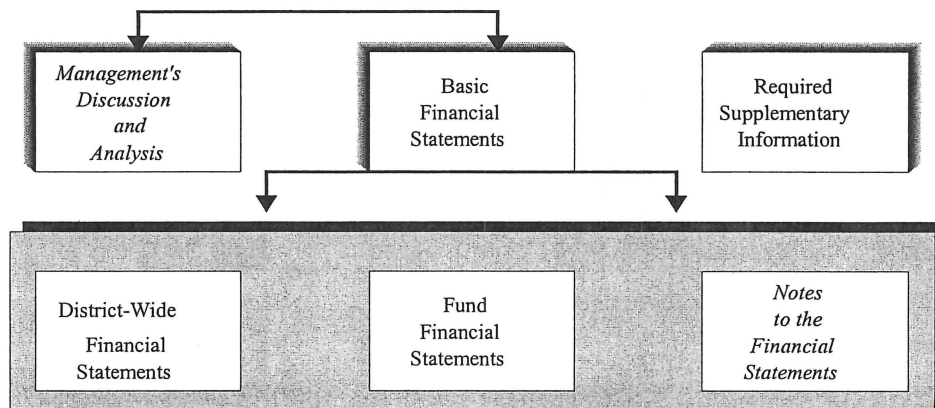
## Management's Discussion and Analysis

### 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 instruction, special education, building maintenance and community education	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 \$13,044,286 as of June 30, 2007. 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, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 4,716,995	\$ 19,134,042	\$ 300,491	\$ 313,472	\$ 5,017,486	\$ 19,447,514
Capital Assets, Net	<u>30,473,463</u>	<u>15,563,045</u>	<u>16,493</u>	<u>16,034</u>	<u>30,489,956</u>	<u>15,579,079</u>
<b>Total Assets</b>	<u>35,190,458</u>	<u>34,697,087</u>	<u>316,984</u>	<u>329,506</u>	<u>35,507,442</u>	<u>35,026,593</u>
Long-Term Liabilities	19,449,813	20,070,329			19,449,813	20,070,329
Other Liabilities	<u>2,979,749</u>	<u>8,178,627</u>	<u>33,594</u>	<u>30,194</u>	<u>3,013,343</u>	<u>8,208,821</u>
<b>Total Liabilities</b>	<u>22,429,562</u>	<u>28,248,956</u>	<u>33,594</u>	<u>30,194</u>	<u>22,463,156</u>	<u>28,279,150</u>
<b>Net Assets</b>						
Invested in Capital Assets, net of related debt	13,609,118	6,629,772	16,493	16,034	13,625,611	6,645,806
Restricted	489,609	174,518			489,609	174,518
Unrestricted	<u>(1,337,831)</u>	<u>(356,159)</u>	<u>266,897</u>	<u>283,278</u>	<u>(1,070,934)</u>	<u>(72,881)</u>
<b>Total Net Assets</b>	<u>\$ 12,760,896</u>	<u>\$ 6,448,131</u>	<u>\$ 283,390</u>	<u>\$ 299,312</u>	<u>\$ 13,044,286</u>	<u>\$ 6,747,443</u>

# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

**Table A-2**  
**Change in Net Assets**  
**For The Fiscal Years Ended June 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 172,587	\$ 203,002	\$ 1,435,034	\$ 1,436,548	\$ 1,607,621	\$ 1,639,550
Operating Grants and Contributions	10,039,612	7,948,034	107,500	121,372	10,147,112	8,069,406
Capital Grants and Contributions	4,472,504	3,351,456			4,472,504	3,351,456
General Revenues						
Property Taxes	41,346,944	40,168,989			41,346,944	40,168,989
State Aid	3,450,767	3,474,088			3,450,767	3,474,088
Other	1,440,654	739,252	4,652	1,480	1,445,306	740,732
<b>Total Revenues</b>	<u>60,923,068</u>	<u>55,884,821</u>	<u>1,547,186</u>	<u>1,559,400</u>	<u>62,470,254</u>	<u>57,444,221</u>
<b>Expenses</b>						
Instruction						
Regular	25,354,876	23,959,344			25,354,876	23,959,344
Special Education	7,275,548	6,022,468			7,275,548	6,022,468
Other Instruction	926,241	719,701			926,241	719,701
School Sponsored Activities and Athletics	1,059,524	1,008,341			1,059,524	1,008,341
Community Services	7,109	7,376			7,109	7,376
Support Services						
Student and Instruction Related Services	5,455,907	5,610,289			5,455,907	5,610,289
School Administrative Services	3,568,411	1,050,539			3,568,411	1,050,539
General Administrative Services	1,176,740	3,212,514			1,176,740	3,212,514
Plant Operations and Maintenance	5,570,366	5,386,167			5,570,366	5,386,167
Pupil Transportation	1,980,529	1,942,437			1,980,529	1,942,437
Business and Other Support Services	1,349,793	1,189,966			1,349,793	1,189,966
Interest on Long-Term Debt	728,493	753,496			728,493	753,496
Food Services			915,379	964,209	915,379	964,209
Child Care	-	-	804,495	774,368	804,495	774,368
<b>Total Expenses</b>	<u>54,453,537</u>	<u>50,862,638</u>	<u>1,719,874</u>	<u>1,738,577</u>	<u>56,173,411</u>	<u>52,601,215</u>
Change in Net Assets	6,469,531	5,022,183	(172,688)	(179,177)	6,296,843	4,843,006
Transfers	(156,766)	(265,000)	156,766	265,000	-	-
Net Assets, Beginning of Year	6,448,131	1,690,948	299,312	213,489	6,747,443	1,904,437
Net Assets, End of Year	<u>\$ 12,760,896</u>	<u>\$ 6,448,131</u>	<u>\$ 283,390</u>	<u>\$ 299,312</u>	<u>\$ 13,044,286</u>	<u>\$ 6,747,443</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 \$60,923,068 for the year ended June 30, 2007 a 9 percent increase from the previous year. Property taxes of \$41,346,944 represented 68 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal, Local and formula aid was \$17,962,883. 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 \$54,453,537. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$34,623,298 (64%) of total expenditures. Student support services, exclusive of administration, total \$5,455,907 or (10%) of total expenditures (See Table A-4).

Total governmental activities revenues surpassed expenses and transfers, increasing net assets \$6,312,765 from the previous year.

Table A-3 Revenues by Source- Governmental Activities  
For Fiscal Year 2007

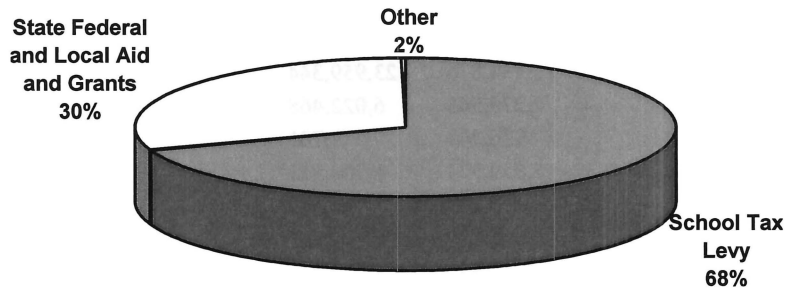
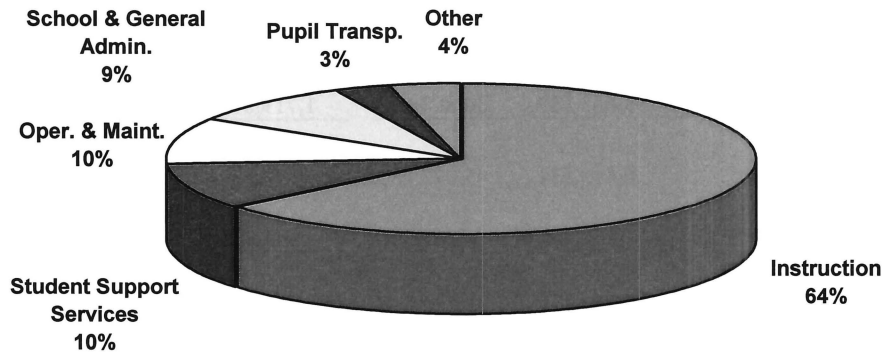


Table A-4 Expenditures by Type- Governmental Activities  
For Fiscal Year 2007



# NUTLEY BOARD OF EDUCATION

## Management's Discussion and Analysis

**Net Cost of Governmental Activities.** The District's total cost of services was \$54,453,537. After applying program revenues, derived from charges for services of \$172,587; operating grants and contributions of \$10,039,612; and capital grants and contribution of \$4,472,504, the net cost of services of the District is \$39,768,834 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Instruction				
Regular	\$ 25,354,876	\$ 23,959,344	\$ 21,055,651	\$ 20,744,304
Special Education	7,275,548	6,022,468	3,008,580	2,827,267
Other Instruction	926,241	719,701	860,657	654,521
School Sponsored Activities and Athletics	1,059,524	1,008,341	1,022,786	878,114
Community Services	7,109	7,376	7,109	7,376
Support Services				
Student and Instruction Related Services	5,455,907	5,610,289	4,913,297	4,761,164
School Administrative Services	3,568,411	1,050,539	3,149,189	774,699
General Administrative Services	1,176,740	3,212,514	1,106,541	3,175,310
Plant Operations and Maintenance	5,570,366	5,386,167	1,097,862	2,139,711
Pupil Transportation	1,980,529	1,942,437	1,521,467	1,474,615
Business and Other Support Services	1,349,793	1,189,966	1,297,202	1,169,569
Interest on Long-Term Debt	728,493	753,496	728,493	753,496
<b>Total</b>	<b>\$ 54,453,537</b>	<b>\$ 50,862,638</b>	<b>\$ 39,768,834</b>	<b>\$ 39,360,146</b>

**Business-Type Activities** – The District's total business-type activities revenues were \$1,547,186 for the year ended June 30, 2007. Charges for services accounted for 93% of total revenues. Operating grants and contributions accounted for 7% of total revenue for the year.

The total cost of all business-type activities programs and services was \$1,719,874. 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 expenses surpassed revenues and transfers in decreasing net assets by \$15,922 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 \$2,001,325. At June 30, 2006, the fund balance was \$11,224,484. This significant decrease is predominately attributable to the expenditures of the District's capital project fund. The District's taxpayers approved a \$38.5 million bond referendum in December 2006. The bonds to finance these projects were issued in July 2007.

Revenues for the District's governmental funds were \$60,157,350, while total expenses were \$69,240,843.

**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, 2007</u>	<u>June 30, 2006</u>	<u>(Decrease)</u>	<u>of Total</u>
Local Sources				
Property Tax Levy	\$ 40,079,296	\$ 38,865,016	\$ 1,214,280	3%
Tuition	73,703	90,842	(17,139)	-19%
Miscellaneous	773,820	851,412	(77,592)	-9%
State Sources	<u>11,844,610</u>	<u>10,139,312</u>	<u>1,705,298</u>	17%
Total General Fund Revenues	<u>\$ 52,771,429</u>	<u>\$ 49,946,582</u>	<u>\$ 2,824,847</u>	6%

Total General Fund Revenues increased by \$2,824,847 or 6% over the previous year.

Local property taxes remained stable, increasing 3% over the previous year. State aid revenues increased \$1,705,298 or 17% 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, 2007</u>	<u>June 30, 2006</u>	<u>(Decrease)</u>	<u>of Total</u>
Instruction	\$ 33,092,598	\$ 30,998,404	\$ 2,094,194	7%
Support Services	18,643,772	17,694,583	949,189	5%
Capital Outlay	1,251,778	206,857	1,044,921	505%
Debt Service	<u>98,336</u>	<u>92,365</u>	<u>5,971</u>	6%
Total Expenditures	<u>\$ 53,086,484</u>	<u>\$ 48,992,209</u>	<u>\$ 4,094,275</u>	8%

Total General Fund expenditures increased \$4,094,275 or 8% from the previous year. Most of the increase can be attributed to the double digit increases in the cost of health insurance premiums and the District's capital improvements. The District appropriated approximately \$756,000 of surplus in August 2006 due to the collapse of a classroom ceiling at Yantacaw Elementary School.

In 2006-2007 General Fund expenditures exceeded revenues and other financing sources and other financing sources by \$634,463. As a result, total fund balance decreased to \$1,656,234 at June 30, 2007. After deducting statutory reserves and designations, the unreserved undesignated fund balance decreased from \$622,774 at June 30, 2006 to \$(112,784) at June 30, 2007.

**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 \$1,634,055, for the year ended June 30, 2007. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 79% of the total revenue for the year.

Expenditures of the Special Revenue Fund were \$1,634,055. Instructional expenditures were \$1,386,726 and for the support services expenditures were \$240,534. Capital outlay expenditures were \$6,795.

**Capital Projects** - Expenditures exceeded revenues and transfers by \$8,573,442 resulting in a fund balance of \$345,090 at June 30, 2007.

# 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 ceiling repairs at Yantacaw Elementary School.

### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$30,489,956 (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 2006-07 amounted to \$339,561 for governmental activities and \$1,718 for business-type activities.

Table A-6  
Capital Assets at June 30, 2007 and 2006  
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 79,932	\$ 79,932			\$ 79,932	\$ 79,932
Buildings	27,953,593	4,968,286			27,953,593	4,968,286
Improvements Other than Buildings	835,906				835,906	
Machinery and Equipment	912,449	791,727	\$ 16,493	\$ 16,034	928,942	807,761
Construction in Progress	691,583	9,723,100	-	-	691,583	9,723,100
<b>Total Capital Assets (Net)</b>	<b>\$ 30,473,463</b>	<b>\$ 15,563,045</b>	<b>\$ 16,493</b>	<b>\$ 16,034</b>	<b>\$ 30,489,956</b>	<b>\$ 15,579,079</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 \$2,240,378, capital leases payable of \$146,435 and bonds payable of \$17,063,000.

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>2007</u>	<u>2006</u>
Serial Bonds Payable	\$ 17,063,000	\$ 17,633,000
Capital Leases	146,435	218,804
Compensated Absences	<u>2,240,378</u>	<u>2,218,525</u>
Total Expenditures	<u>\$ 19,449,813</u>	<u>\$ 20,070,329</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 2007-2008 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, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,678,586	\$ 233,134	\$ 1,911,720
Receivables, net			
Receivables from Other Governments	2,574,115	6,376	2,580,491
Other	11,055	15,671	26,726
Inventory		8,940	8,940
Internal Balances	(36,370)	36,370	
Restricted Assets			
Capital Reserve Account - Cash	489,609		489,609
Capital Assets			
Not Being Depreciated	771,515		771,515
Being Depreciated, Net	<u>29,701,948</u>	<u>16,493</u>	<u>29,718,441</u>
Total Assets	<u>35,190,458</u>	<u>316,984</u>	<u>35,507,442</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	304,534	30,359	334,893
Payable to State Government	84,245		84,245
Accrued Interest Payable	264,079		264,079
Other Liabilities	770,000		770,000
Unearned Revenue	1,556,891	3,235	1,560,126
Noncurrent Liabilities			
Due within one year	817,226		817,226
Due beyond one year	<u>18,632,587</u>	<u>-</u>	<u>18,632,587</u>
Total Liabilities	<u>22,429,562</u>	<u>33,594</u>	<u>22,463,156</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	13,609,118	16,493	13,625,611
Restricted for			
Capital Projects	489,609		489,609
Unrestricted	<u>(1,337,831)</u>	<u>266,897</u>	<u>(1,070,934)</u>
Total Net Assets	<u>\$ 12,760,896</u>	<u>\$ 283,390</u>	<u>\$ 13,044,286</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, 2007**

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	\$ 25,354,876	\$ 24,604	\$ 4,274,621		\$ (21,055,651)		\$ (21,055,651)
Special Education	7,275,548	49,099	4,217,869		(3,008,580)		(3,008,580)
Other Instruction	926,241		65,584		(860,657)		(860,657)
School Sponsored Activities and Athletics	1,059,524		36,738		(1,022,786)		(1,022,786)
Community Services	7,109				(7,109)		(7,109)
Support Services							
Student and Instruction Related Services	5,455,907		542,610		(4,913,297)		(4,913,297)
School Administrative Services	3,568,411		419,222		(3,149,189)		(3,149,189)
General Administrative Services	1,176,740		70,199		(1,106,541)		(1,106,541)
Plant Operations and Maintenance	5,570,366			\$ 4,472,504	(1,097,862)		(1,097,862)
Pupil Transportation	1,980,529	98,884	360,178		(1,521,467)		(1,521,467)
Business Services	1,349,793		52,591		(1,297,202)		(1,297,202)
Interest on Long-Term Debt	728,493	-	-	-	(728,493)	-	(728,493)
Total Governmental Activities	54,453,537	172,587	10,039,612	4,472,504	(39,768,834)	-	(39,768,834)
<b>Business-Type Activities</b>							
Food Service	915,379	640,493	107,500			\$ (167,386)	(167,386)
Extended Day	804,495	794,541	-	-	-	(9,954)	(9,954)
Total Business-Type Activities	1,719,874	1,435,034	107,500	-	-	(177,340)	(177,340)
<b>Total Primary Government</b>	<u>\$ 56,173,411</u>	<u>\$ 1,607,621</u>	<u>\$ 10,147,112</u>	<u>\$ 4,472,504</u>	(39,768,834)	(177,340)	(39,946,174)

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, 2007**

	<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>
Balance, Carry Forward	\$ (39,768,834)	\$ (177,340)	\$ (39,946,174)
<b>General Revenues, Transfers and Special Items</b>			
Property Taxes Levied for General Purposes	40,079,296		40,079,296
Property Taxes Levied for Debt Service	1,267,648		1,267,648
State Aid - Unrestricted	3,439,053		3,439,053
State Aid - Restricted for Debt Service	11,714		11,714
Investment Earnings	382,866	4,652	387,518
Miscellaneous Income	292,070		292,070
Donated Capital Assets	765,718		765,718
Transfers	(156,766)	156,766	-
 Total General Revenues and Transfers	 46,081,599	 161,418	 46,243,017
 Change in Net Assets	 6,312,765	 (15,922)	 6,296,843
 Net Assets, Beginning of Year	 6,448,131	 299,312	 6,747,443
 Net Assets, End of Year	 <u>\$ 12,760,896</u>	 <u>\$ 283,390</u>	 <u>\$ 13,044,286</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, 2007**

	<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	\$ 1,114,290	\$ 388,295	\$ 176,001		\$ 1,678,586
Due from Other Funds	4,201		44,405	\$ 21,747	70,353
Receivables, Net					
Receivables from Other Governments	98,575	550,436	1,925,104		2,574,115
Other	11,055				11,055
Restricted Cash and Cash Equivalents	489,609	-	-	-	489,609
<b>Total Assets</b>	<b>\$ 1,717,730</b>	<b>\$ 938,731</b>	<b>2,145,510</b>	<b>\$ 21,747</b>	<b>\$ 4,823,718</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable			\$ 304,534		\$ 304,534
Due to Other Funds	\$ 61,496		23,481	\$ 21,746	106,723
Payable to State Government		\$ 84,245			84,245
Other Liabilities			770,000		770,000
Deferred Revenue	-	854,486	702,405	-	1,556,891
<b>Total Liabilities</b>	<b>61,496</b>	<b>938,731</b>	<b>1,800,420</b>	<b>21,746</b>	<b>2,822,393</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Encumbrances	364,246		6,399,493		6,763,739
Capital Reserve Account	489,609				489,609
Excess Surplus - Designated in Subsequent Year's Budget	605,253				605,253
<b>Unreserved</b>					
Designated in Subsequent Year's Budget	309,910				309,910
Undesignated, Reported in General Fund	(112,784)				(112,784)
Debt Service Fund				\$ 1	1
Capital Projects Fund	-	-	(6,054,403)	-	(6,054,403)
<b>Total Fund Balances</b>	<b>1,656,234</b>	<b>-</b>	<b>345,090</b>	<b>1</b>	<b>2,001,325</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,717,730</b>	<b>\$ 938,731</b>	<b>\$ 2,145,510</b>	<b>\$ 21,747</b>	

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 \$38,051,072 and the accumulated depreciation is \$7,577,609

30,473,463

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

(264,079)

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	\$ 17,063,000
Capital Leases	146,435
Compensated Absences Payable	2,240,378

(19,449,813)

\$ 12,760,896

**NUTLEY BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 40,079,296			\$ 1,267,648	\$ 41,346,944
Tuition	73,703				73,703
Transportation Fees	98,884				98,884
Miscellaneous	674,936	\$ 13,623	-	-	688,559
Total - Local Sources	40,926,819	13,623	-	1,267,648	42,208,090
State Sources	11,844,610	334,473	\$ 4,472,504	11,714	16,663,301
Federal Sources	-	1,285,959	-	-	1,285,959
Total Revenues	52,771,429	1,634,055	4,472,504	1,279,362	60,157,350
<b>EXPENDITURES</b>					
Current					
Regular Instruction	24,791,430	449,306			25,240,736
Special Education Instruction	6,323,772	937,420			7,261,192
Other Instruction	926,241				926,241
School-Sponsored Activities and Athletics	1,044,070				1,044,070
Community Services	7,085				7,085
Support Services					
Student and Instructional Related Services	5,194,492	226,198			5,420,690
School Administrative Services	3,552,671				3,552,671
General Administrative Services	1,168,098				1,168,098
Plant Operations and Maintenance	5,483,907				5,483,907
Pupil Transportation	1,901,814	14,336			1,916,150
Business Services	1,342,790				1,342,790
Debt Service					
Principal	89,469			570,000	659,469
Interest and Other Charges	8,867			724,616	733,483
Capital Outlay	1,251,778	6,795	13,225,688	-	14,484,261
Total Expenditures	53,086,484	1,634,055	13,225,688	1,294,616	69,240,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(315,055)	-	(8,753,184)	(15,254)	(9,083,493)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Leases (Non-Budgeted)	17,100				17,100
Transfers In			179,742		179,742
Transfers Out	(336,508)	-	-	-	(336,508)
Total Other Financing Sources and Uses	(319,408)	-	179,742	-	(139,666)
Net Change in Fund Balances	(634,463)	-	(8,573,442)	(15,254)	(9,223,159)
Fund Balance, Beginning of Year	2,290,697	-	8,918,532	15,255	11,224,484
Fund Balance, End of Year	\$ 1,656,234	\$ -	\$ 345,090	\$ 1	\$ 2,001,325

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, 2007**

**Total net change in fund balances - governmental funds (Exhibit B-2)** **\$ (9,223,159)**

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	\$ 14,484,261	
Depreciation Expense	<u>(339,561)</u>	
		14,144,700

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	765,718
---	---------

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	(21,853)
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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.	570,000
--	---------

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.	89,469
---	--------

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	4,990
------------------------------	-------

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

Capital Lease Financing	<u>(17,100)</u>
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**Change in net assets of governmental activities (Exhibit A-2)** **\$ 6,312,765**



**NUTLEY BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 29,963	\$ 203,171	\$ 233,134
Intergovernmental Accounts Receivable			
State	502		502
Federal	5,874		5,874
Due from Other Funds		38,837	38,837
Other Accounts Receivable	15,671		15,671
Inventory	<u>8,940</u>	<u>-</u>	<u>8,940</u>
Total Current Assets	<u>60,950</u>	<u>242,008</u>	<u>302,958</u>
Capital Assets			
Machinery and Equipment	137,947		137,947
Less: Accumulated Depreciation	<u>(121,454)</u>	<u>-</u>	<u>(121,454)</u>
Total Capital Assets	<u>16,493</u>	<u>-</u>	<u>16,493</u>
Total Assets	<u>77,443</u>	<u>242,008</u>	<u>319,451</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	30,359		30,359
Due to Other Funds	2,467		2,467
Deferred Revenue	<u>3,235</u>	<u>-</u>	<u>3,235</u>
Total Liabilities	<u>36,061</u>	<u>-</u>	<u>32,826</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	16,493		16,493
Unrestricted	<u>24,889</u>	<u>242,008</u>	<u>266,897</u>
Total Net Assets	<u>\$ 41,382</u>	<u>\$ 242,008</u>	<u>\$ 283,390</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, 2007**

	<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		\$ 794,541	\$ 794,541
School Lunch Program	\$ 507,363		507,363
Special Functions	132,772		132,772
Miscellaneous	358	-	358
	<u>640,493</u>	<u>794,541</u>	<u>1,435,034</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	275,980	693,010	968,990
Other Expenses		2,433	2,433
Employee Benefits	180,589	61,905	242,494
Cost of Sales	315,874		315,874
Supplies	40,082	22,552	62,634
Purchased Services	84,980	22,257	107,237
Other	16,156	2,338	18,494
Depreciation	1,718	-	1,718
	<u>915,379</u>	<u>804,495</u>	<u>1,719,874</u>
Operating Income (Loss)	<u>(274,886)</u>	<u>(9,954)</u>	<u>(284,840)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
State School Lunch Program	6,750		6,750
Federal Sources			
Federal School Lunch Program	79,883		79,883
USDA Commodities	20,867		20,867
Interest Income	1,745	2,907	4,652
	<u>109,245</u>	<u>2,907</u>	<u>112,152</u>
Net Income (Loss) Before Operating Transfers	(165,641)	(7,047)	(172,688)
Transfers In	156,766	-	156,766
Net Income (Loss)	(8,875)	(7,047)	(15,922)
Net Assets, Beginning of Year	50,257	249,055	299,312
Net Assets, End of Year	<u>\$ 41,382</u>	<u>\$ 242,008</u>	<u>\$ 283,390</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, 2007**

	<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	\$ 632,005	\$ 794,541	\$ 1,426,546
Payments for Employees	(456,569)	(693,010)	(1,149,579)
Payments to Suppliers	<u>(434,651)</u>	<u>(111,485)</u>	<u>(546,136)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(259,215)</u>	<u>(9,954)</u>	<u>(269,169)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Operating Transfers from Other Funds	156,766		156,766
State and Federal Sources	<u>86,640</u>	<u>-</u>	<u>86,640</u>
Net Cash Provided By Non-Capital Financing Activities	<u>243,406</u>	<u>-</u>	<u>243,406</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	<u>(2,177)</u>	<u>-</u>	<u>(2,177)</u>
Net Cash (Used By) Capital and Related Financing Activities	<u>(2,177)</u>	<u>-</u>	<u>(2,177)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	<u>1,745</u>	<u>2,907</u>	<u>4,652</u>
Net Cash Provided By Investing Activities	<u>1,745</u>	<u>2,907</u>	<u>4,652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,241)	(7,047)	(23,288)
Cash and Cash Equivalents, Beginning of Year	<u>46,204</u>	<u>210,218</u>	<u>256,422</u>
Cash and Cash Equivalents, End of Year	<u>\$ 29,963</u>	<u>\$ 203,171</u>	<u>\$ 233,134</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (274,886)	\$ (9,954)	\$ (284,840)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	1,718		1,718
Food Distribution Program	20,867		20,867
(Increase) Decrease in Accounts Receivable	(8,930)		(8,930)
(Increase) Decrease in Inventories	(1,384)		(1,384)
Increase (Decrease) in Accounts Payable	3,296		3,296
Increase (Decrease) in Deferred Revenue	<u>104</u>	<u>-</u>	<u>104</u>
Total Adjustments	<u>15,671</u>	<u>-</u>	<u>15,671</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (259,215)</u>	<u>\$ (9,954)</u>	<u>\$ (269,169)</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, 2007**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,716	\$ 605,255	\$ 128,275
Total Assets	<u>11,716</u>	<u>605,255</u>	<u>\$ 128,275</u>
<b>LIABILITIES</b>			
Intergovernmental Payable		6,099	
Due to Student Groups	<u>-</u>	<u>-</u>	\$ 128,275
Total Liabilities	<u>-</u>	<u>6,099</u>	<u>\$ 128,275</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 11,716</u>	<u>\$ 599,156</u>	

**NUTLEY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b><u>Private Purpose Trust Funds</u></b>	<b><u>Unemployment Compensation Trust</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees		\$ 67,888
Investment Earnings		
Interest	\$ 470	16,539
Total Additions	470	84,427
<b>DEDUCTIONS</b>		
Scholarships	3,250	
Unemployment Claims and Contributions	-	31,813
Total Deductions	3,250	31,813
Change in Net Assets	(2,780)	52,614
Net Assets, Beginning of Year	14,496	546,542
Net Assets, End of Year	\$ 11,716	\$ 599,156

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, 2007**

**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, before and 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, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements 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 programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of 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, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Additionally, the government reports the following fund 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**

**1. *Deposits and Investments***

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

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

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. *Receivables and Payables***

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

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

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

Tuition Expenditures - Tuition charges for the fiscal years 2005-2006 and 2006-2007 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 municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**3. *Inventories***

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

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

**4. *Prepaid Items***

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

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**5. *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.

**6. *Capital Assets***

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

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

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

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

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

**7. *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 accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. *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.

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.

**9. *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, 2006 audited excess surplus that was appropriated in the 2007/2008 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 2007/2008 District budget certified for taxes.

**10. *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, 2007**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the 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 2006/2007. During 2006/2007 the Board increased the original budget by \$2,431,750. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year authorized and approved fund balance appropriations of \$756,252 of additional general fund surplus were made on August 28, 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 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.

The District has an unreserved/undesignated deficit fund balance of \$112,784 in the General Fund as of June 30, 2007 as reported in the fund financial statements (modified accrual basis). P.L. 2003, c.97 mandates that in the event a state school aid payment is not made until the following school budget year, districts must record these state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2006/2007 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund balance deficits in the future.

Pursuant to P.L. 2003, c.97, any negative unreserved, undesignated general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$112,784 is less than the deferred state aid payments.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**D. 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, 2007 is as follows:

Balance, July 1, 2006		\$ 159,263
Increased by:		
Interest earnings	\$ 5,088	
Deposits Approved by Voters in District Budget	<u>354,742</u>	
		<u>359,830</u>
		519,093
Withdrawals		
Withdrawals Approved by Voters in District Budget		<u>29,484</u>
Balance, June 30, 2007		<u>\$ 489,609</u>

**E. 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, 2007 is \$605,253. This amount was designated and appropriated in the 2007/2008 original budget certified for taxes.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) 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. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At June 30, 2007, the book value of the Board's deposits was \$3,146,575 and bank balances of the Board's cash and deposits amounted to \$4,926,617. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>4,926,617</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, 2007, the Board had no outstanding investments.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**B. 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	\$ 11,055			\$ 15,671	\$ 26,726
Intergovernmental	<u>98,575</u>	<u>\$ 550,436</u>	<u>\$ 1,925,104</u>	<u>6,376</u>	<u>2,580,491</u>
Gross Receivables	109,630	550,436	1,925,104	22,047	2,607,217
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 109,630</u>	<u>\$ 550,436</u>	<u>\$ 1,925,104</u>	<u>\$ 22,047</u>	<u>\$ 2,607,217</u>

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

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 850,545
Grant Draw Downs Reserved For Encumbrances	<u>3,941</u>
Capital Projects Fund	
Economic Development Authority School Facility Grants	<u>702,405</u>
Total Deferred Revenue for Governmental Funds	<u>\$1,556,891</u>



**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 79,932			\$ 79,932
Construction in Progress	9,723,100	\$ 13,225,688	\$ (22,257,205)	691,583
Total Capital Assets, Not Being Depreciated	9,803,032	13,225,688	(22,257,205)	771,515
Capital Assets, Being Depreciated:				
Buildings	10,526,632	23,160,189		33,686,821
Improvements Other Than Buildings		879,901		879,901
Machinery and Equipment	2,471,429	241,406	-	2,712,835
Total Capital Assets Being Depreciated	12,998,061	24,281,496	-	37,279,557
Less Accumulated Depreciation for:				
Buildings	(5,558,346)	(174,882)		(5,733,228)
Improvements Other Than Buildings		(43,995)		(43,995)
Machinery and Equipment	(1,679,702)	(120,684)	-	(1,800,386)
Total Accumulated Depreciation	(7,238,048)	(339,561)	-	(7,577,609)
Total Capital Assets, Being Depreciated, net	5,760,013	23,941,935	-	29,701,948
Governmental Activities Capital Assets, net	\$ 15,563,045	\$ 37,167,623	\$ (22,257,205)	\$ 30,473,463
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 135,770	\$ 2,177	-	\$ 137,947
Total Capital Assets Being Depreciated	135,770	2,177	-	137,947
Less Accumulated Depreciation for:				
Machinery and Equipment	(119,736)	(1,718)	-	(121,454)
Total Accumulated Depreciation	(119,736)	(1,718)	-	(121,454)
Total Capital Assets, Being Depreciated, net	16,034	459	-	16,493
Business-Type Activities Capital Assets, net	\$ 16,034	\$ 459	\$ -	\$ 16,493

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**C. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction

Regular	\$ 103,530
Special	12,706
School-Sponsored/Other Instructional	15,454
Total Instruction	<u>131,690</u>

Community Services	<u>24</u>
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Support Services

Student and Instruction Related Services	34,248
General Administration	7,452
School Administration	13,109
Operations and Maintenance of Plant	84,173
Student Transportation	63,702
Business and Other Support Services	5,163
Total Support Services	<u>207,847</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 339,561</u>
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**Business-Type Activities:**

Food Service Fund	<u>\$ 1,718</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 1,718</u>

**Construction commitments**

The District has the following active construction projects as of June 30, 2007:

<u>Project</u>	<u>Remaining Commitment</u>
Renovations to Franklin Middle School Various Renovations and Improvements to Nutley High School and Elementary Schools	<u>\$ 6,399,493</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,734
General Fund	Food Service Fund	2,467
Capital Projects Fund	General Fund	22,659
Debt Service Fund	Capital Projects Fund	21,747
Extended Day Fund	General Fund	38,837
Capital Projects Fund	Debt Service Fund	<u>21,746</u>
		<u>\$ 109,190</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>Capital Projects Fund</u>	<u>Transfer In: Enterprise Food Service</u>	<u>Total</u>
Transfer Out:			
General Fund	<u>\$ 179,742</u>	<u>\$ 156,766</u>	<u>\$ 336,508</u>
Total transfers out	<u>\$ 179,742</u>	<u>\$ 156,766</u>	<u>\$ 336,508</u>

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

**E. Leases**

**Capital Leases**

The District is leasing various vehicles, temporary classroom units and equipment totaling \$416,147 under capital leases. The leases are for terms of 3 to 5 years.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**E. Leases (Continued)**

**Capital Leases (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$ 98,336
2009	40,365
2010	<u>16,940</u>
Total Minimum Lease Payments	155,641
Less: Amount Representing Interest	<u>(9,206)</u>
Present Value of Minimum Lease Payments	<u>\$ 146,435</u>

**F. 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, 2007 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	\$110,000
\$2,923,000, 2003 Bonds, due in annual installments of \$115,000 to \$208,000 through August 15, 2023, variable interest rate	2,708,000
\$14,930,000, 2005 Bonds, due in annual installments of \$370,000 to \$670,000 through February 15, 2030, variable interest rate	<u>14,245,000</u>
	<u>\$17,063,000</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**F. 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 June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	710,000	598,674	1,308,674
2013-2017	3,930,000	2,542,372	6,472,372
2018-2022	4,170,000	1,718,052	5,888,052
2023-2027	3,693,000	876,003	4,569,003
2028-2030	<u>2,010,000</u>	<u>175,876</u>	<u>2,185,876</u>
	<u>\$ 17,063,000</u>	<u>\$ 8,564,540</u>	<u>\$ 25,627,540</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2007 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 155,061,050
Less: Net Debt Issued	<u>55,563,987</u>
Remaining Borrowing Power	<u>\$ 99,497,063</u>

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**F. Long-Term Debt (Continued)**

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Balance			Balance	Due
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Within</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
Bonds Payable	\$ 17,633,000		\$ 570,000	\$ 17,063,000	\$ 595,000
Capital Leases	218,804	\$ 17,100	89,469	146,435	92,226
Compensated Absences Payable	<u>2,218,525</u>	<u>160,678</u>	<u>138,825</u>	<u>2,240,378</u>	<u>130,000</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 20,070,329</u>	<u>\$ 177,778</u>	<u>\$ 798,294</u>	<u>\$ 19,449,813</u>	<u>\$ 817,226</u>

Compensated absences and capital leases are generally liquidated by the general fund.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

The District is a member of the Suburban Essex Joint Insurance Fund (the "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 are on file with the School's Business Administrator.

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

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

<u>Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007		\$ 67,888	\$ 31,813	\$ 599,156
2006		64,527	29,700	546,542
2005	-	62,374	40,054	502,571

**B. Contingent Liabilities**

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

The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2007, the District had no estimated arbitrage earnings due to the IRS.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

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

**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.



**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**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, Common Pension Fund D and Common Pension Fund E. 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.

**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, 2006, 20 percent; for payments due in the State fiscal year ending June 30, 2007, 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 through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. 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, 2007 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.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**Contribution Requirements (Continued)**

During the years ended June 30, 2007, 2006 and 2005 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>
2007	\$ 213,898	\$ 3,724,894
2006	113,357	2,066,097
2005	49,296	1,749,630

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,830,190 during the year ended June 30, 2007 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.

**E. 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, 2006, there were 71,719 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 \$555.3 million for TPAF and \$211.5 million for PERS in fiscal year 2006.

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 \$100.7 million toward Chapter 126 benefits for 10,777 eligible retired members in fiscal year 2006.

**F. Subsequent Events**

On July 15, 2007 the District issued \$38,500,000 of School Bonds to fund renovations to the Elementary Schools and Nutley High School, approved by the voters in December 2006. The sale of the bonds was awarded to Merrill Lynch at an interest rate of 4.5% to 4.75%.

**NUTLEY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 4 OTHER INFORMATION (Continued)**

**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, 2007. 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, 2007**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final To Actual</b>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 40,079,296		\$ 40,079,296	\$ 40,079,296	
Tuition	85,830		85,830	73,703	\$ (12,127)
Transportation Fees	100,000		100,000	98,884	(1,116)
Interest on Capital Reserve	1,500		1,500	5,088	3,588
Other Restricted Miscellaneous	85,000		85,000	15,803	(69,197)
Unrestricted Miscellaneous	247,192	-	247,192	654,045	406,853
<b>Total Revenues - Local Sources</b>	<b>40,598,818</b>	<b>-</b>	<b>40,598,818</b>	<b>40,926,819</b>	<b>328,001</b>
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				166,155	166,155
TPAF Pension System Contributions-Normal				1,908,210	1,908,210
TPAF Pension System Contribution - Post Retirement (Non Budgeted)				1,816,684	1,816,684
TPAF Social Security Contributions (Non Budgeted)	-	-	-	1,830,190	1,830,190
<b>Total State Sources</b>	<b>6,098,605</b>	<b>-</b>	<b>6,098,605</b>	<b>11,819,844</b>	<b>5,721,239</b>
<b>Total Revenues</b>	<b>46,697,423</b>	<b>-</b>	<b>46,697,423</b>	<b>52,746,663</b>	<b>6,049,240</b>
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers:					
Preschool/Kindergarten	628,851	\$ (30,872)	597,979	597,979	
Grades 1 - 5	6,700,179	(240,492)	6,459,687	6,459,687	
Grades 6 - 8	4,103,849	(121,094)	3,982,755	3,982,755	-
Grades 9 - 12	5,382,112	120,151	5,502,263	5,502,263	-
Home Instruction:					
Salaries of Teachers	68,000	20,058	88,058	88,058	
Purchased Professional-Educational Services	8,000	12,295	20,295	18,403	1,892
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		-			
Purchased Technical Services	2,300	-	2,300	2,300	
Other Purchased Services	56,100	2,339	58,439	57,879	560
General Supplies	765,078	109,628	874,706	851,853	22,853
Textbooks	183,309	(48,592)	134,717	85,660	49,057
Other Objects	18,000	2,128	20,128	20,003	125
<b>Total Instruction Regular Programs</b>	<b>17,915,778</b>	<b>(174,451)</b>	<b>17,741,327</b>	<b>17,666,840</b>	<b>74,487</b>
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	1,146,292	(59,117)	1,087,175	1,087,175	-
Other Salaries for Instruction	283,590	(11,535)	272,055	272,055	-
General Supplies	15,553	(272)	15,281	15,281	
Textbooks	5,000	(440)	4,560	2,972	1,588
<b>Total Learning/Language Disabilities</b>	<b>1,450,435</b>	<b>(71,364)</b>	<b>1,379,071</b>	<b>1,377,483</b>	<b>1,588</b>

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 959,267	\$ (124,242)	\$ 835,025	\$ 835,025	-
General Supplies	14,488	(226)	14,262	14,262	-
Textbooks	675	(14)	661	661	-
Total Resource Room/Resource Center	974,430	(124,482)	849,948	849,948	-
Preschool Disabilities					
Salaries of Teachers	94,896	60,124	155,020	155,020	-
Other Salaries for Instruction	66,418	(8,665)	57,753	57,753	-
General Supplies	2,000	(141)	1,859	1,859	-
Total Preschool Disabilities	163,314	51,318	214,632	214,632	-
Total Special Education	2,588,179	(144,528)	2,443,651	2,442,063	\$ 1,588
Basic Skills/Remedial					
Salaries of Teachers	618,639	123,170	741,809	741,809	-
Other Salaries for Instruction	2,150	(962)	1,188	1,188	-
General Supplies	4,147	(2,207)	1,940	1,940	-
Textbooks	500	(500)	-	-	-
Total Basic Skills/Remedial	625,436	119,501	744,937	744,937	-
Bilingual Education					
Salaries of Teachers	174,502	(18,581)	155,921	155,921	-
General Supplies	2,800	(351)	2,449	2,449	-
Total Bilingual Education	177,302	(18,932)	158,370	158,370	-
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	164,717	(16,492)	148,225	148,225	-
General Supplies	750	(750)			-
Other Objects	2,500	(2,325)	175	175	-
Total Co-Curricular Activities	167,967	(19,567)	148,400	148,400	-
School Sponsored Athletics					
Salaries	511,795	10,686	522,481	522,481	-
Purchased Services	59,100	(26,216)	32,884	32,884	-
Supplies and Materials	68,329	32,093	100,422	68,280	32,142
Other Objects	133,596	22,834	156,430	153,874	2,556
Total Athletics	772,820	39,397	812,217	777,519	34,698

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 6,000	\$ 376	\$ 6,376	\$ 6,376	-
Total Community Services	6,000	376	6,376	6,376	-
Total Instruction	22,255,982	(198,204)	22,057,778	21,947,005	\$ 110,773
Tuition					
Tuition to NJ LEA's - Special	491,061	(15,630)	475,431	475,431	-
Tuition to County Vocational - Regular	25,137	(4,703)	20,434	20,434	-
Tuition to County Vocational - Special	12,969	(12,969)			-
Tuition to County Sp Service and Regional Day School	246,164	(102,757)	143,407	143,407	-
Tuition to NJ Private Handicapped	1,712,163	(4,321)	1,707,842	1,707,842	-
Total Tuition	2,487,494	(140,380)	2,347,114	2,347,114	-
Undistributed Expenditures					
Health Services					
Salaries	470,256	24,451	494,707	494,707	-
Purchased Professional Services	45,500	(12,354)	33,146	27,661	5,485
Other Purchased Services	100	(100)			-
Supplies and Materials	13,648	5,216	18,864	13,736	5,128
Other Objects	250	(141)	109	109	-
Total Health Services	529,754	17,072	546,826	536,213	10,613
Undistributed Expend.-Other Supp. Svcs.-					
Student Related Services					
Salaries	451,707	10,182	461,889	461,889	-
Purchased Professional Educational Services	70,000	12,424	82,424	80,784	1,640
Supplies and Materials	2,713	224	2,937	2,937	-
Total Other Support/Student Related Services	524,420	22,830	547,250	545,610	1,640
Undistributed Expend.-Other Supp. Svcs.-Extraord. Serv.					
Salaries	152,465	44,299	196,764	196,764	-
Total Other Support/Extraordinary Services	152,465	44,299	196,764	196,764	-
Undistributed Expend.-Other Supp. Svcs.-Students- Reg					
Salaries of Other Professional Staff	891,963	13,537	905,500	905,500	-
Salaries of Secretarial and Clerical Assistants	142,011	3,463	145,474	145,474	-
Other Purchased Professional and Technical Services	22,500	(804)	21,696	21,256	440
Other Purchased Services	4,484	2,154	6,638	6,638	-
Supplies and Materials	29,200	(5,881)	23,319	23,319	-
Other Objects	3,300	(1,370)	1,930	1,930	-
Total Other Support Services/Regular	1,093,458	11,099	1,104,557	1,104,117	440

(Continued)



**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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 Expend.-Other Supp. Svcs.-Students- Special					
Salaries of Other Professional Staff	\$ 823,821	\$ (19,089)	\$ 804,732	\$ 804,732	
Miscellaneous Purchased Services	3,200	(394)	2,806	2,806	
Supplies and Materials	12,471	384	12,855	12,855	-
Total Other Support Services/Special	839,492	(19,099)	820,393	820,393	-
Improvement of Instruction					
Salaries of Supervisors of Instruction	107,805	(7,680)	100,125	100,125	-
Salaries of Other Professional Staff	17,000	(1,985)	15,015	15,015	-
Salaries of Secretarial and Clerical Assist.	182,504	(8,673)	173,831	173,831	
Other Purchased Professional and Technical Services	2,400	825	3,225	3,225	
Other Purchased Services	1,200	(569)	631	631	
Supplies and Materials	16,439	(1,749)	14,690	14,690	-
Other Objects	1,200	(225)	975	975	-
Total Improvement of Instruction	328,548	(20,056)	308,492	308,492	-
Educational Media Services/ School Library					
Salaries	583,684	(141)	583,543	583,543	-
Purchased Professional and Technical Services	16,000	(535)	15,465	15,465	-
Other Purchased Services	73,335	(46,484)	26,851	21,923	\$ 4,928
Supplies and Materials	113,868	4,846	118,714	117,912	802
Total Educational Media Services/ School Library	786,887	(42,314)	744,573	738,843	5,730
Instructional Staff Training Services					
Salaries of Other Professional Staff	4,000	(124)	3,876	3,876	
Purchased Professional Educational Services	5,000	1,500	6,500	5,250	1,250
Other Purchased Services	15,200	(8,437)	6,763	6,468	295
Supplies and Materials	500	(284)	216	216	
Other Objects	1,200	(612)	588	588	-
Total Instructional Staff Training Services	25,900	(7,957)	17,943	16,398	1,545
Support Services General Administration					
Salaries	350,824	128,961	479,785	479,728	57
Legal Services	72,500	(15,664)	56,836	56,836	-
Audit Fees	27,000	4,615	31,615	31,615	-
Other Purchased Professional Services	15,000	(12,600)	2,400	2,400	-
Purchased Technical Services	2,750	19,785	22,535	22,535	-
Communications/Telephone	127,650	12,206	139,856	135,025	4,831
Other Purchased Services	201,424	(27,602)	173,822	173,794	28
BOE Other Purchased Services	6,000	(4,517)	1,483	1,447	36
Supplies and Materials	32,000	(13,613)	18,387	18,305	82
Miscellaneous Expenditures	36,000	1,109	37,109	36,476	633
BOE Membership Dues and Fees	26,500	(1,593)	24,907	24,907	-
Total Support Services General Administration	897,648	91,087	988,735	983,068	5,667
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,127,655	(23,892)	1,103,763	1,103,763	-
Salaries of Other Professional Staff	474,291	168,600	642,891	642,890	1
Salaries of Secretarial and Clerical Assistants	671,245	10,421	681,666	680,061	1,605
Other Purchased Services	64,604	5,924	70,528	61,938	8,590
Supplies and Materials	55,630	11,249	66,879	48,700	18,179
Other Objects	52,000	9,677	61,677	55,376	6,301
Total Support Services School Administration	2,445,425	181,979	2,627,404	2,592,728	34,676

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 725,154	\$ (124,929)	\$ 600,225	\$ 600,225	-
Purchased Professional Services	50,000	39,155	89,155	58,980	\$ 30,175
Purchased Technical Services	15,000	4,259	19,259	19,259	-
Miscellaneous Purchased Services	52,100	46,980	99,080	97,073	2,007
Supplies and Materials	20,000	(950)	19,050	18,951	99
Other Objects	2,100	(591)	1,509	1,509	-
<b>Total Undistributed Expenditures - Central Services</b>	<b>864,354</b>	<b>(36,076)</b>	<b>828,278</b>	<b>795,997</b>	<b>32,281</b>
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	189,586	(5,001)	184,585	184,585	-
Purchased Technical Services	1,000	(1,000)			-
Other Purchased Services	1,150	33,901	35,051	35,051	-
Supplies and Materials	20,900	3,036	23,936	22,680	1,256
Other Objects	-	176	176	169	7
<b>Total Undistributed Expenditures - Admin. Info. Technology</b>	<b>212,636</b>	<b>31,112</b>	<b>243,748</b>	<b>242,485</b>	<b>1,263</b>
Required Maintenance for School Facilities					
Salaries	476,209	(44,444)	431,765	431,765	-
Cleaning, Repair and Maintenance Services	167,696	29,207	196,903	170,073	26,830
General Supplies	134,545	57,834	192,379	184,239	8,140
Other Objects	1,500	10,642	12,142	12,142	-
<b>Total Required Maint for School Facilities</b>	<b>779,950</b>	<b>53,239</b>	<b>833,189</b>	<b>798,219</b>	<b>34,970</b>
Other Operations and Maintenance of Plant					
Salaries	2,224,692	87,142	2,311,834	2,311,834	
Purchased Professional and Technical Services	52,311	9,599	61,910	61,910	
Cleaning, Repair and Maintenance Services	284,000	(41,930)	242,070	240,032	2,038
Rental of Land & Bldg. Oth. Than Lease Purch. Agreement	21,000	1,400	22,400	22,400	
Insurance	64,823	13,093	77,916	77,916	
Miscellaneous Purchased Services	72,613	21,418	94,031	86,058	7,973
General Supplies	107,965	36,000	143,965	138,482	5,483
Energy (Heat and Electricity)	951,847	(12,385)	939,462	938,138	1,324
Other Objects	17,300	(11,819)	5,481	5,481	-
<b>Total Other Operations and Maint. of Plant</b>	<b>3,796,551</b>	<b>102,518</b>	<b>3,899,069</b>	<b>3,882,251</b>	<b>16,818</b>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	729,131	(20,898)	708,233	708,233	
Salaries for Pupil Trans (Other than Bet Home & Sch).	165,678	(13,544)	152,134	152,134	
Cleaning, Repair and Maintenance Services	64,000	48,201	112,201	112,201	-
Other Purchased Professional and Technical Services	600	(265)	335	335	
Lease Purchase Payments - School Buses - Lease of Space for Buses	51,052	-	51,052	51,052	-
Contr Serv(Oth. Than Bet Home & Sch)-Vend	46,000	(14,151)	31,849	31,849	-
Contr Serv(Special Education)-Vendors	323,711	14,319	338,030	331,676	6,354
Contr Serv(Special Education)-Joint Agreements	15,000	(15,000)			
Miscellaneous Purch. Services- Transportation	27,090	(59)	27,031	27,031	
Supplies and Materials	55,700	37,061	92,761	85,259	7,502
Miscellaneous Expenditures	15,000	(179)	14,821	13,484	1,337
<b>Total Student Transportation Services</b>	<b>1,492,962</b>	<b>35,485</b>	<b>1,528,447</b>	<b>1,513,254</b>	<b>15,193</b>

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 586,751	\$ 29,258	\$ 616,009	\$ 616,009	-
Other Retirement Contributions - Regular	263,765	(49,867)	213,898	213,898	-
Workmens Compensation	167,531	(3,721)	163,810	163,810	-
Health Benefits	5,840,247	(174,206)	5,666,041	5,664,754	\$ 1,287
Tuition Reimbursements	66,000	7,048	73,048	71,248	1,800
Other Employee Benefits	153,500	10,274	163,774	161,449	2,325
<b>Total Unallocated Employee Benefits</b>	<u>7,077,794</u>	<u>(181,214)</u>	<u>6,896,580</u>	<u>6,891,168</u>	<u>5,412</u>
TPAF Pension System Contributions-Normal (Non-Budgeted)				1,908,210	(1,908,210)
TPAF Pension System Contributions-Post Retirement (Non-Budgeted)				1,816,684	(1,816,684)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	1,830,190	(1,830,190)
<b>Total TPAF Pension and Social Security Contributions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,555,084</u>	<u>(5,555,084)</u>
<b>Total Undistributed Expenditures</b>	<u>24,335,738</u>	<u>143,624</u>	<u>24,479,362</u>	<u>29,868,198</u>	<u>(5,388,836)</u>
<b>Total Current Expenditures</b>	<u>46,591,720</u>	<u>(54,580)</u>	<u>46,537,140</u>	<u>51,815,203</u>	<u>(5,278,063)</u>
<b>CAPITAL OUTLAY</b>					
Interest Deposit to Capital Reserve					
Equipment					
Grades 6 - 8	2,295	111,852	114,147	114,147	-
Grades 9 - 12		6,038	6,038	6,038	-
Undistributed Expenditures					
School Sponsored and Other Instructional Programs		3,299	3,299		3,299
Support Services - Instructional Staff		5,540	5,540		5,540
Operations and Maintenance of Plant		12,592	12,592	12,592	-
School Buses - Regular	40,000	83,099	123,099	33,145	89,954
Admin. Info. Tech	50,000	21,092	71,092	71,092	-
<b>Total Equipment</b>	<u>92,295</u>	<u>243,512</u>	<u>335,807</u>	<u>237,014</u>	<u>98,793</u>
Facilities Acquisition and Constr. Services					
Construction Services	-	1,019,012	1,019,012	1,017,167	1,845
<b>Total Facilities Acquisition and Constr. Services</b>	<u>-</u>	<u>1,019,012</u>	<u>1,019,012</u>	<u>1,017,167</u>	<u>1,845</u>
Assets Acquired Under Capital Leases					
Undistributed Expenditures					
Operations and Maintenance of Plant	-	-	-	17,100	(17,100)
<b>Total Assets Acquired Under Capital Leases</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,100</u>	<u>(17,100)</u>
<b>Total Expenditures - Capital Outlay</b>	<u>92,295</u>	<u>1,262,524</u>	<u>1,354,819</u>	<u>1,271,281</u>	<u>83,538</u>
<b>Total Expenditures - General Fund</b>	<u>46,684,015</u>	<u>1,207,944</u>	<u>47,891,959</u>	<u>53,086,484</u>	<u>(5,194,525)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>13,408</u>	<u>(1,207,944)</u>	<u>(1,194,536)</u>	<u>(339,821)</u>	<u>854,715</u>

(Continued)

**NUTLEY BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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)				\$ 17,100	\$ 17,100
Transfers Out	\$ (179,742)		\$ (179,742)	(179,742)	
Transfers Out	(125,000)	\$ (31,771)	(156,771)	(156,766)	(5)
Total Other Financing Sources (Uses)	(304,742)	(31,771)	(336,513)	(319,408)	17,095
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(291,334)	(1,239,715)	(1,531,049)	(659,229)	871,810
Fund Balance, Beginning of Year	2,771,768	-	2,771,768	2,771,768	-
Fund Balance, End of Year	<u>\$ 2,480,434</u>	<u>\$ (1,239,715)</u>	<u>\$ 1,240,719</u>	<u>\$ 2,112,539</u>	<u>\$ 871,820</u>
<b>Recapitulation of Fund Balance</b>					
Reserve for Encumbrances				\$ 364,246	
Capital Reserve				489,609	
Excess Surplus, Designated in Subsequent Year's Budget				605,253	
Designated for Subsequent Year's Budget				309,910	
Unrestricted Fund Balance				<u>343,521</u>	
Fund Balance (Budgetary Basis)				2,112,539	
<b>Reconciliation to Governmental Fund Statements (GAAP)</b>					
2006/07 Final State Aid Payment Not Recognized on a GAAP Basis				(290,150)	
2006/07 Extraordinary Aid Not Recognized on a GAAP Basis				<u>(166,155)</u>	
Fund Balance per Governmental Funds (GAAP Basis)				<u>\$ 1,656,234</u>	

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 294,839	\$ 818,074	\$ 1,112,913	\$ 334,900	\$ (778,013)
Federal	1,070,142	351,795	1,421,937	1,279,635	(142,302)
Local Sources					
Miscellaneous	-	22,166	22,166	13,623	(8,543)
<b>Total Revenues</b>	<u>1,364,981</u>	<u>1,192,035</u>	<u>2,557,016</u>	<u>1,628,158</u>	<u>(928,858)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	278,723	178,129	456,852	222,756	234,096
Other Salaries for Instruction	168,150	329,741	497,891	147,636	350,255
Purchased Prof. and Technical Services	38,520	57,690	96,210	72,340	23,870
Purchased Prof. Educational Services	150,592	93,566	244,158	202,532	41,626
Tuition	417,907	175,725	593,632	593,632	
General Supplies	38,572	78,035	116,607	28,274	88,333
Textbooks	36,897	(3,300)	33,597	33,353	244
Other Objects	-	14,233	14,233	9,918	4,315
<b>Total Instruction</b>	<u>1,129,361</u>	<u>923,819</u>	<u>2,053,180</u>	<u>1,310,441</u>	<u>742,739</u>
Support Services					
Salaries of Program Directors	3,328	1,684	5,012		5,012
Salaries of Other Professional Staff	88,536	44,161	132,697	100,676	32,021
Salaries of Secretarial and Clerical Asst.		18,724	18,724	7,312	11,412
Purchased Professional/Educational Services	34,815	102,489	137,304	54,971	82,333
Travel		2,413	2,413	1,413	1,000
Communications	7,662	(7,662)			-
Other Purchased Services	55,615	30,808	86,423	68,612	17,811
Supplies and Materials	2,513	7,295	9,808	4,242	5,566
<b>Total Support Services</b>	<u>192,469</u>	<u>199,912</u>	<u>392,381</u>	<u>237,226</u>	<u>155,155</u>
Allocated Benefits					
Social Security	34,846	31,582	66,428	35,464	30,964
Personal Services - Employee Benefits	8,305	29,927	38,232	38,232	-
<b>Total Allocated Benefits</b>	<u>43,151</u>	<u>61,509</u>	<u>104,660</u>	<u>73,696</u>	<u>30,964</u>
Facilities Acquisition and Instructional Equipment	-	6,795	6,795	6,795	-
<b>Total Facilities Acquisition</b>	<u>-</u>	<u>6,795</u>	<u>6,795</u>	<u>6,795</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,364,981</u>	<u>1,192,035</u>	<u>2,557,016</u>	<u>1,628,158</u>	<u>928,858</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
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, 2007**

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>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	C-1 \$ 52,746,663	C-2 \$ 1,628,158
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Add: June 30, 2006 encumbrances (net of cancellations)		9,838
Less: June 30, 2007 encumbrances		(3,941)
State Aid payment recognized for GAAP Statements, not recognized for budgetary purposes.	282,923	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(290,150)	
Extraordinary aid payment recognized for GAAP Statements not recognized for budgetary purposes.	198,148	
Extraordinary aid payment recognized for budgetary purposes not recognized for GAAP statements.	(166,155)	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	B-2 \$ <u>52,771,429</u>	B-2 \$ <u>1,634,055</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 53,086,484	C-2 \$ 1,628,158
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		
Add: June 30, 2006 encumbrances (net of cancellations)		9,838
Less: June 30, 2007 encumbrances	-	(3,941)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2 \$ <u>53,086,484</u>	B-2 \$ <u>1,634,055</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, 2007

	Nonpublic Textbooks	N.J. Nonpublic Auxiliary			NJ Nonpublic Handicapped			Nonpublic Nursing
		Compensatory Education	ESL	Transportation	Supplemental Instruction	Examination/ Classification	Corrective Speech	
<b>REVENUES</b>								
State Sources	\$ 33,353	\$ 105,603	\$ 10,658	\$ 14,336	\$ 19,163	\$ 35,860	\$ 31,248	\$ 44,105
Federal Sources	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 33,353</u>	<u>\$ 105,603</u>	<u>\$ 10,658</u>	<u>\$ 14,336</u>	<u>\$ 19,163</u>	<u>\$ 35,860</u>	<u>\$ 31,248</u>	<u>\$ 44,105</u>
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers								
Other Salaries for Instruction								
Purchased Prof. and Technical Services								
Purchased Prof. Educational Services		\$ 105,603	\$ 10,658		\$ 19,163	\$ 35,860	\$ 31,248	
General Supplies								
Textbooks	\$ 33,353							
Miscellaneous Expenses	-	-	-	-	-	-	-	-
Total Instruction	<u>33,353</u>	<u>105,603</u>	<u>10,658</u>	<u>-</u>	<u>19,163</u>	<u>35,860</u>	<u>31,248</u>	<u>-</u>
Support Services								
Salaries of Program Directors								
Salaries of Other Professional Staff								
Salaries of Secr and Clerical Assistants								
Purchased Professional Educational Services								
Other Purchased Services				\$ 14,336				\$ 44,105
Supplies and Materials								
Tuition	-	-	-	-	-	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,105</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>\$ 33,353</u>	<u>\$ 105,603</u>	<u>\$ 10,658</u>	<u>\$ 14,336</u>	<u>\$ 19,163</u>	<u>\$ 35,860</u>	<u>\$ 31,248</u>	<u>\$ 44,105</u>

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Teacher Quality Mentoring</u>	<u>Character Education</u>	<u>Nonpublic Home Instruction</u>	<u>IDEIA B Basic</u>	<u>IDEIA B Preschool</u>	<u>IDEA B Carryover</u>
<b>REVENUES</b>						
State Sources	\$ 5,946	\$ 7,303	\$ 3,245			
Federal Sources	-	-	-	\$ 709,618	\$ 41,201	\$ 222,769
<b>Total Revenues</b>	<u>\$ 5,946</u>	<u>\$ 7,303</u>	<u>\$ 3,245</u>	<u>\$ 709,618</u>	<u>\$ 41,201</u>	<u>\$ 222,769</u>
<b>EXPENDITURES</b>						
Instruction:						
Salaries of Teachers		\$ 6,000			\$ 18,459	\$ 17,296
Other Salaries for Instruction				120,900	17,000	9,736
Purchased Prof. Educational Services			\$ 3,245	42,186		1,195
Other Purchased Services						
Tuition				434,971		158,661
General Supplies		1,303		190	209	
Textbooks						
Miscellaneous Expenses	-	-	-	-	-	-
<b>Total Instruction</b>	<u>-</u>	<u>7,303</u>	<u>3,245</u>	<u>598,247</u>	<u>35,668</u>	<u>186,888</u>
Support Services						
Salaries of Program Directors						
Salaries of Other Professional Staff	\$ 5,946			60,320		31,410
Salaries of Secr and Clerical Assistants						
Purchased Professional Educational Services				27,971		
Travel						
Other Purchased Services						
Supplies and Materials						
Tuition	-	-	-	-	-	-
<b>Total Support Services</b>	<u>5,946</u>	<u>-</u>	<u>-</u>	<u>88,291</u>	<u>-</u>	<u>31,410</u>
Personal Services - Employee Benefits						
Social Security Contributions				13,863	2,712	4,471
Other Retirement	-	-	-	9,217	2,821	-
<b>Total Personnel Services - Employee Benefits</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,080</u>	<u>5,533</u>	<u>4,471</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>
<b>Total Expenditures</b>	<u>\$ 5,946</u>	<u>\$ 7,303</u>	<u>\$ 3,245</u>	<u>\$ 709,618</u>	<u>\$ 41,201</u>	<u>\$ 222,769</u>

NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Title III Carryover</u>	<u>Title III</u>	<u>Title 1</u>	<u>Title I Carryover</u>	<u>Title V</u>	<u>Title II A</u>	<u>Title V Carryover</u>	<u>Title II A Carryover</u>	<u>Title I SIA</u>
<b>REVENUES</b>									
State Sources									
Federal Sources	\$ 544	\$ 16,164	\$ 130,936	\$ 9,752	\$ 6,189	\$ 99,599	\$ 586	\$ 1,347	\$ 987
Total Revenues	\$ 544	\$ 16,164	\$ 130,936	\$ 9,752	\$ 6,189	\$ 99,599	\$ 586	\$ 1,347	\$ 987
<b>EXPENDITURES</b>									
Instruction:									
Salaries of Teachers		\$ 10,823	\$ 92,449	\$ 2,840		\$ 74,889			
Other Salaries for Instruction									
Purchased Prof. and Technical Services				1,634					
Purchased Prof. Educational Services				210	\$ 722	1,958	\$ 586		\$ 987
General Supplies	\$ 544	1,615	3,938	210	\$ 722	1,958	\$ 586		\$ 987
Textbooks									
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-
Total Instruction	544	12,438	96,387	4,684	722	76,847	586	-	987
Support Services									
Salaries of Program Directors									
Salaries of Other Professional Staff					3,000				
Salaries of Secr and Clerical Assistants			7,312						
Purchased Professional Educational Services			5,481	4,250					
Travel		894			519				
Other Purchased Services		350			125	7,149	\$ 762		
Supplies and Materials				277	1,593		585		
Tuition	-	-	-	-	-	-	-	-	-
Total Support Services	-	1,244	12,793	4,527	5,237	7,149	-	1,347	-
Personal Services - Employee Benefits									
Social Security Contributions		828	7,631		230	5,729			
Other Retirement	-	1,654	14,125	541	-	9,874	-	-	-
Total Personnel Services - Employee Benefits	-	2,482	21,756	541	230	15,603	-	-	-
Total Expenditures	\$ 544	\$ 16,164	\$ 130,936	\$ 9,752	\$ 6,189	\$ 99,599	\$ 586	\$ 1,347	\$ 987

**NUTLEY BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Title II D</u>	<u>Title II D Carryover</u>	<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				\$ 13,623				\$ 13,623
State Sources							\$ 24,080	334,900
Federal Sources	\$ 647	\$ 1,793	\$ 9,633	-	\$ 9,045	\$ 18,825	-	1,279,635
Total Revenues	\$ 647	\$ 1,793	\$ 9,633	\$ 13,623	\$ 9,045	\$ 18,825	\$ 24,080	\$ 1,628,158
<b>EXPENDITURES</b>								
Instruction:								
Salaries of Teachers								\$ 222,756
Other Salaries for Instruction								147,636
Purchased Prof. and Educational Svcs							\$ 24,080	72,340
Other Purchased Services								202,532
Tuition								593,632
General Supplies	\$ 493	\$ 405	\$ 583	\$ 2,001	\$ 500	\$ 12,030		28,274
Textbooks								33,353
Miscellaneous Expenses	-	-	-	9,918	-	-	-	9,918
Total Instruction	493	405	583	11,919	500	12,030	24,080	1,310,441
Support Services								
Salaries of Program Directors								-
Salaries of Other Professional Staff								100,676
Salaries of Secr and Clerical Assistants								7,312
Purchased Professional Educational Services	154		9,050		8,065			54,971
Travel								1,413
Other Purchased Services		1,388		397				68,612
Supplies and Materials				1,307	480			4,242
Tuition	-	-	-	-	-	-	-	-
Total Support Services	154	1,388	9,050	1,704	8,545	-	-	237,226
Personal Services - Employee Benefits								
Social Security Contributions								35,464
Other Retirement	-	-	-	-	-	-	-	38,232
Total Personnel Services - Employee Benefits	-	-	-	-	-	-	-	73,696
Facilities Acquisition and Construction Services								
Instructional Equipment	-	-	-	-	-	6,795	-	6,795
Total Facilities Acquisition	-	-	-	-	-	6,795	-	6,795
Total Expenditures	\$ 647	\$ 1,793	\$ 9,633	\$ 13,623	\$ 9,045	\$ 18,825	\$ 24,080	\$ 1,628,158

**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, 2007**

NOT APPLICABLE

**EXHIBIT E-3**

**EARLY CHILDHOOD PROGRAM AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOT APPLICABLE

**EXHIBIT E-4**

**INSTRUCTIONAL SUPPLEMENT AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOT APPLICABLE

**EXHIBIT E-5**

**DISTANCE LEARNING NETWORK AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007**

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2007</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	\$ 4,862,423		\$ 10,250
Construction of an addition and renovation of the Franklin Middle School, including acquisition and installation of furnishings and equipment and site work	23,879,742	9,618,100	\$ 12,534,105	1,727,537
Radcliffe - Vertical Lift	104,431	102,153		2,278
Various renovations and improvements to the Nutley High School, Lincoln Elementary School, Radcliffe Elementary School, Washington Elementary School and Yantacaw Elementary School and to undertake the construction of an addition and renovations to the Spring Garden School and to acquire the necessary furnishings and equipment and undertake any associated site work.	38,500,000	-	691,583	37,808,417
	<u>\$ 67,356,846</u>	<u>\$ 14,582,676</u>	<u>\$ 13,225,688</u>	<u>\$ 39,548,482</u>
Project Balances, June 30, 2007				\$ 39,548,482
Less:				
Debt Authorized But Not Issued				<u>38,500,987</u>
Fund Balance, June 30, 2007 (Budgetary Basis)				<u>\$ 1,047,495</u>
<b>Reconciliation to GAAP</b>				
Fund Balance, June 30, 2007 (Budgetary Basis)				\$ 1,047,495
Unrealized Revenue - State Aid				
Middle School			\$ 701,570	
Radcliffe School			<u>835</u>	
				<u>702,405</u>
Fund Balance, June 30, 2007 (GAAP Basis)				<u>\$ 345,090</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, 2007**

**Revenues and Other Financing Sources**

State Sources - SCC Grant	\$ 5,174,909
Transfers from Capital Reserve	29,484
Transfers from Capital Outlay	<u>150,258</u>
 Total Revenues	 <u>5,354,651</u>

**Expenditures and Other Financing Uses**

Purchased Professional And Technical Services	1,164,945
Construction Services	11,928,486
Other Purchased Services	12,924
Supplies	119,333
Equipment Purchases	<u>-</u>
 Total Expenditures	 <u>13,225,688</u>

Excess (Deficiency) Of Revenues Over (Under) Expenditures	(7,871,037)
---	-------------

Fund Balance, Beginning of Year	<u>8,918,532</u>
---------------------------------	------------------

Fund Balance, End of Year	<u>\$ 1,047,495</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, 2007**

	<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	\$ 1,949,069		\$ 1,949,069	\$ 1,949,069
Federal Sources - CDBG				
Bond Proceeds and Transfers	<u>2,923,000</u>	<u>-</u>	<u>2,923,000</u>	<u>2,923,604</u>
 Total Revenues	<u>4,872,069</u>	<u>-</u>	<u>4,872,069</u>	<u>4,872,673</u>
 <b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	537,444		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>409,823</u>	<u>-</u>	<u>409,823</u>	<u>407,000</u>
 Total Expenditures	<u>4,862,423</u>	<u>-</u>	<u>4,862,423</u>	<u>4,872,673</u>
 Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 9,646</u>	<u>\$ -</u>	<u>\$ 9,646</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, 2007**

	<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	\$ 3,595,543	\$ 5,174,074	\$ 8,769,617	\$ 8,769,617
Capital Reserve		29,484	29,484	29,484
Bond Proceeds and Transfers	<u>14,930,000</u>	<u>150,258</u>	<u>15,080,258</u>	<u>15,080,641</u>
 Total Revenues	 <u>18,525,543</u>	 <u>5,353,816</u>	 <u>23,879,359</u>	 <u>23,879,742</u>
 <b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	1,872,412	561,766	2,434,178	2,750,000
Land and Improvements				620,000
Construction Services	7,705,801	11,843,748	19,549,549	20,509,742
Other Purchased Services	14,752	9,258	24,010	
Supplies		119,333	119,333	
Equipment Purchases	<u>25,135</u>	<u>-</u>	<u>25,135</u>	<u>-</u>
 Total Expenditures	 <u>9,618,100</u>	 <u>12,534,105</u>	 <u>22,152,205</u>	 <u>23,879,742</u>
 Excess (Deficiency) of Revenues over (under) Expenditures	 <u>\$ 8,907,443</u>	 <u>\$ (7,180,289)</u>	 <u>\$ 1,727,154</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
Transferred from Capital Outlay/Capital Reserve	179,742
Change Orders	34,551
Revised Authorized Cost	23,914,293
 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, 2007**

	<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	\$ 40,937	\$ 835	\$ 41,772	\$ 41,772
Federal Sources - CDBG	40,000		40,000	40,000
Transfer From Capital Reserve	22,659	-	22,659	22,659
 Total Revenues	 103,596	 835	 104,431	 104,431
 <b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	4,186		4,186	10,211
Construction Services	97,967	-	97,967	94,220
 Total Expenditures	 102,153	 -	 102,153	 104,431
 Excess (Deficiency) of Revenues over (under) Expenditures	 \$ 1,443	 \$ 835	 \$ 2,278	 \$ -

**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  
VARIOUS RENOVATIONS AND IMPROVEMENTS - HIGH SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 8,740,000
<b>Total Revenues</b>	-	-	\$ -	8,740,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	1,225,854
Land and Improvements			-	-
Construction Services			-	7,468,638
Other Purchased Services		1,833	1,833	45,508
Equipment Purchases	-	-	-	-
<b>Total Expenditures</b>	-	102,363	\$ 102,363	8,740,000
Excess (Deficiency) of Revenues over (under) Expenditures	\$ -	\$ (102,363)	\$ (102,363)	\$ -

**Additional Project Information:**

Project Number	3310-050-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	8,740,000
Change Orders	-
Revised Authorized Cost	8,740,000
Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
VARIOUS RENOVATIONS AND IMPROVEMENTS - YANTACAW ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 5,530,000
<b>Total Revenues</b>	-	-	-	5,530,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	765,610
Land and Improvements			-	
Construction Services		16,948	16,948	4,724,708
Other Purchased Services			-	39,682
Equipment Purchases	-	-	-	-
<b>Total Expenditures</b>	-	117,477	\$ 117,477	5,530,000
Excess (Deficiency) of Revenues over (under) Expenditures	\$ -	\$ (117,477)	\$ (117,477)	\$ -

**Additional Project Information:**

Project Number	3750-050-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	5,530,000
Change Orders	-
Revised Authorized Cost	5,530,000
Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	



**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
VARIOUS RENOVATIONS AND IMPROVEMENTS - WASHINGTON ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 7,600,000
<b>Total Revenues</b>	-	-	-	7,600,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	1,031,369
Land and Improvements				
Construction Services		16,948	16,948	6,534,068
Other Purchased Services		1,833	1,833	34,563
Equipment Purchases	-	-	-	-
<b>Total Expenditures</b>	-	119,311	\$ 119,311	7,600,000
Excess (Deficiency) of Revenues over (under) Expenditures	\$ -	\$ (119,311)	\$ (119,311)	\$ -

**Additional Project Information:**

Project Number	3750-100-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	7,600,000
Change Orders	-
Revised Authorized Cost	7,600,000
Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
VARIOUS RENOVATIONS AND IMPROVEMENTS - LINCOLN ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 5,530,000
Total Revenues	-	-	-	5,530,000
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	765,610
Land and Improvements			-	
Construction Services		16,948	16,948	4,724,708
Other Purchased Services			-	39,682
Equipment Purchases	-	-	-	-
Total Expenditures	-	117,477	\$ 117,477	5,530,000
Excess (Deficiency) of Revenues over (under) Expenditures	\$ -	\$ (117,477)	\$ (117,477)	\$ -

**Additional Project Information:**

Project Number	3750-070-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	5,530,000
Change Orders	-
Revised Authorized Cost	5,530,000
Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
VARIOUS RENOVATIONS AND IMPROVEMENTS - RADCLIFFE ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 3,400,000
 Total Revenues	 -	 -	 -	 3,400,000
 <b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	471,333
Land and Improvements			-	
Construction Services		16,948	16,948	2,905,210
Other Purchased Services			-	23,457
Equipment Purchases	-	-	-	-
 Total Expenditures	 -	 117,477	 \$ 117,477	 3,400,000
 Excess (Deficiency) of Revenues over (under) Expenditures	 \$ -	 \$ (117,477)	 \$ (117,477)	 \$ -

**Additional Project Information:**

Project Number	3750-080-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	3,400,000
Change Orders	-
Revised Authorized Cost	3,400,000
 Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	

**NUTLEY BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND  
PROJECT STATUS - BUDGETARY BASIS  
ADDITION AND RENOVATIONS - SPRING GARDEN ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds and Transfers	-	-	-	\$ 7,700,000
 Total Revenues	 -	 -	 -	 7,700,000
 <b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		\$ 100,530	\$ 100,530	1,062,087
Land and Improvements			-	
Construction Services		16,948	16,948	6,596,117
Other Purchased Services			-	41,796
Equipment Purchases	-	-	-	-
 Total Expenditures	 -	 117,478	 \$ 117,478	 7,700,000
 Excess (Deficiency) of Revenues over (under) Expenditures	 \$ -	 \$ (117,478)	 \$ (117,478)	 \$ -

**Additional Project Information:**

Project Number	3750-090-07-1000
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	7,700,000
Change Orders	-
Revised Authorized Cost	7,700,000
 Change Order Percentage	
Percentage Completion	0%
Original Target Completion Date	9/1/2009
Revised Target Completion Date	

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**PROPRIETARY FUND**

**NUTLEY BOARD OF EDUCATION  
PROPRIETARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2007**

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, 2007**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 128,275	-	\$ 128,275
Total Assets	<u>\$ 128,275</u>	<u>\$ -</u>	<u>\$ 128,275</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 128,275	-	\$ 128,275
Total Liabilities	<u>\$ 128,275</u>	<u>\$ -</u>	<u>\$ 128,275</u>

**NUTLEY BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>ELEMENTARY SCHOOLS</b>				
Lincoln	\$ 3,419	\$ 15,412	\$ 16,385	\$ 2,446
Radcliffe	417	5,513	4,344	1,586
Spring Garden	5,198	12,170	11,552	5,816
Washington	88	7,794	7,105	777
Yantacaw	<u>9,495</u>	<u>8,105</u>	<u>7,814</u>	<u>9,786</u>
	<u>18,617</u>	<u>48,994</u>	<u>47,200</u>	<u>20,411</u>
<b>MIDDLE SCHOOL</b>				
Franklin	<u>7,062</u>	<u>64,984</u>	<u>58,042</u>	<u>14,004</u>
<b>HIGH SCHOOL</b>				
Nutley High School	<u>145,252</u>	<u>227,924</u>	<u>279,316</u>	<u>93,860</u>
<b>TOTAL ALL SCHOOLS</b>	<u>\$ 170,931</u>	<u>\$ 341,902</u>	<u>\$ 384,558</u>	<u>\$ 128,275</u>

**NUTLEY BOARD OF EDUCATION**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Balance, July 1, <u>2006</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2007</u>
Accrued Salaries and Wages	-	\$ 20,657,286	\$ 20,657,286	-
Payroll Deductions and Withholdings		15,460,403	15,460,403	
Due To Other Funds	-	<u>19,166</u>	<u>19,166</u>	-
Total	<u>\$ -</u>	<u>\$ 36,136,855</u>	<u>\$ 36,136,855</u>	<u>\$ -</u>

## **LONG-TERM DEBT**

**NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<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, 2006</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2007</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	9/1/07	\$ 110,000	Various	\$ 220,000		\$ 110,000	\$ 110,000
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	8/15/07	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	2,818,000		110,000	2,708,000

NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<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, 2006</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2007</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	2/15/08	\$ 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	\$ 14,595,000	\$ -	\$ 350,000	\$ 14,245,000
						\$ 17,633,000	\$ -	\$ 570,000	\$ 17,063,000



NUTLEY BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, July 1, 2006</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2007</u>
School Buses (2)	\$ 78,216	\$ 31,796		\$ 15,625	\$ 16,171
Tractor/Frontloader	54,763	22,263		10,939	11,324
Dump Truck with Plow	40,002	16,261		7,991	8,270
School Buses (2)	87,270	47,582		15,102	32,480
Temporary classrooms	60,582	39,628		19,444	20,184
School Buses (2)	78,214	61,274	-	14,397	46,877
Lath and Mill Machine	17,100	-	\$ 17,100	5,971	11,129
		<u>\$ 218,804</u>	<u>\$ 17,100</u>	<u>\$ 89,469</u>	<u>\$ 146,435</u>

**NUTLEY BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<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	\$ 1,267,648		\$ 1,267,648	\$ 1,267,648	-
State Sources					
Debt Service Aid Type II	<u>11,714</u>	<u>-</u>	<u>11,714</u>	<u>11,714</u>	<u>-</u>
Total Revenues	<u>1,279,362</u>	<u>-</u>	<u>1,279,362</u>	<u>1,279,362</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Interest	724,617		724,617	724,616	\$ 1
Principal	<u>570,000</u>	<u>-</u>	<u>570,000</u>	<u>570,000</u>	<u>-</u>
Total Expenditures	<u>1,294,617</u>	<u>-</u>	<u>1,294,617</u>	<u>1,294,616</u>	<u>1</u>
Excess of Revenues					
Over/(Under) Expenditures	(15,255)	-	(15,255)	(15,254)	1
Fund Balance, Beginning of Year	<u>15,255</u>	<u>-</u>	<u>15,255</u>	<u>15,255</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

## 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.

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested In Capital Assets, Net Of Related Debt	\$ 333,818	\$ 1,670,765	\$ 2,845,719	\$ 6,629,772	\$ 13,609,118
Restricted	116,001	123,200	121,878	174,518	489,609
Unrestricted	(1,513,720)	(1,415,465)	(1,276,649)	(356,159)	(1,337,831)
Total Governmental Activities Net Assets	<u>\$ (1,063,901)</u>	<u>\$ 378,500</u>	<u>\$ 1,690,948</u>	<u>\$ 6,448,131</u>	<u>\$ 12,760,896</u>
Business-Type Activities					
Invested In Capital Assets	\$ 1,677	\$ 8,748	\$ 10,489	\$ 16,034	\$ 16,493
Restricted					
Unrestricted	201,844	223,447	203,000	283,278	266,897
Total Business-Type Activities Net Assets	<u>\$ 203,521</u>	<u>\$ 232,195</u>	<u>\$ 213,489</u>	<u>\$ 299,312</u>	<u>\$ 283,390</u>
District-Wide					
Invested In Capital Assets, Net Of Related Debt	\$ 335,495	\$ 1,679,513	\$ 2,856,208	\$ 6,645,806	\$ 13,625,611
Restricted	116,001	123,200	121,878	174,518	489,609
Unrestricted	(1,311,876)	(1,192,018)	(1,073,649)	(72,881)	(1,070,934)
Total District Net Assets	<u>\$ (860,380)</u>	<u>\$ 610,695</u>	<u>\$ 1,904,437</u>	<u>\$ 6,747,443</u>	<u>\$ 13,044,286</u>

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental Activities					
Instruction					
Regular	\$ 20,673,488	\$ 21,433,560	\$ 23,414,355	\$ 23,959,344	\$ 25,354,876
Special Education	5,084,142	5,265,971	5,601,278	6,022,468	7,275,548
Other Instruction	896,684	1,309,562	1,376,348	719,701	926,241
School Sponsored Activities And Athletics	1,091,990	1,017,263	1,022,645	1,008,341	1,059,524
Community Services	5,472	2,272	6,779	7,376	7,109
Support Services:					
Student And Instruction Related Services	4,629,760	4,771,305	4,112,190	5,610,289	5,455,907
General Administration	990,620	1,018,272	1,234,261	1,050,539	1,176,740
School Administrative Services	2,691,135	2,960,253	3,008,732	3,212,514	3,568,411
Plant Operations And Maintenance	4,490,099	4,889,636	5,128,519	5,386,167	5,570,366
Pupil Transportation	1,453,598	1,682,776	1,887,946	1,942,437	1,980,529
Business Services	1,044,051	1,223,793	1,207,607	1,189,966	1,349,793
Special Schools	23,778				
Interest On Long-Term Debt	37,790	123,549	414,810	753,496	728,493
Total Governmental Activities Expenses	43,112,607	45,698,212	48,415,470	50,862,638	54,453,537
Business-Type Activities:					
Food Service	808,696	868,210	934,786	964,209	915,379
Extended Day	529,727	578,851	921,460	774,368	804,495
Total Business-Type Activities Expense	1,338,423	1,447,061	1,856,246	1,738,577	1,719,874
Total District Expenses	\$ 44,451,030	\$ 47,145,273	\$ 50,271,716	\$ 52,601,215	\$ 56,173,411
<b>Program Revenues</b>					
Governmental Activities:					
Charges For Services:					
Instruction (Tuition)	\$ 30,356	\$ 65,034	\$ 99,750	\$ 90,842	\$ 73,703
Pupil Transportation	75,146	92,556	113,283	112,160	98,884
Operating Grants And Contributions	6,512,610	7,192,163	7,556,423	7,948,034	10,039,612
Capital Grants And Contributions	31,018	1,374,894	1,054,715	3,351,456	4,472,504
Total Governmental Activities Program Revenues	6,649,130	8,724,647	8,824,171	11,502,492	14,684,703
Business-Type Activities:					
Charges For Services					
Food Service	540,488	559,363	582,788	596,965	640,493
Child Care	610,301	637,086	861,812	839,583	794,541
Operating Grants And Contributions	83,702	98,902	117,204	121,372	107,500
Total Business Type Activities Program Revenues	1,234,491	1,295,351	1,561,804	1,557,920	1,542,534
Total District Program Revenues	\$ 7,883,621	\$ 10,019,998	\$ 10,385,975	\$ 13,060,412	\$ 16,227,237
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (36,463,477)	\$ (36,973,565)	\$ (39,591,299)	\$ (39,360,146)	\$ (39,768,834)
Business-Type Activities	(103,932)	(151,710)	(294,442)	(180,657)	(177,340)
Total District-Wide Net Expense	\$ (36,567,409)	\$ (37,125,275)	\$ (39,885,741)	\$ (39,540,803)	\$ (39,946,174)

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
<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	\$ 41,346,944
State Aid Unrestricted	14,878	13,760	13,101	12,407	11,714
Unrestricted Grants And Contributions	2,668,776	3,255,094	3,446,325	3,461,681	3,439,053
Accrued Interest And Premium On Bonds		6,501	15,255	-	
Investment Earnings	38,461	55,087	231,777	663,207	382,866
Miscellaneous Income	69,992	51,775	253,085	76,045	292,070
Donated Capital Assets					765,718
Transfers	(185,000)	(180,000)	(276,805)	(265,000)	(156,766)
Total Governmental Activities	35,545,705	38,415,966	40,903,747	44,117,329	46,081,599
Business-Type Activities:					
Investment Earnings		384	2,336	1,480	4,652
Transfers	185,000	180,000	273,400	265,000	156,766
Total Business-Type Activities	185,000	180,384	275,736	266,480	161,418
Total District-Wide	\$ 35,730,705	\$ 38,596,350	\$ 41,179,483	\$ 44,383,809	\$ 46,243,017
<b>Change in Net Assets</b>					
Governmental Activities	\$ (917,772)	\$ 1,442,401	\$ 1,312,448	\$ 4,757,183	\$ 6,312,765
Business-Type Activities	81,068	28,674	(18,706)	85,823	(15,922)
Total District	\$ (836,704)	\$ 1,471,075	\$ 1,293,742	\$ 4,843,006	\$ 6,296,843

**NUTLEY BOARD OF EDUCATION**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST FIVE 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>	<u>2007</u>
General Fund					
Reserved	\$ 217,488	\$ 509,136	\$ 575,786	\$ 1,508,438	\$ 1,459,108
Unreserved	<u>767,919</u>	<u>696,292</u>	<u>886,742</u>	<u>782,259</u>	<u>197,126</u>
Total General Fund	<u>\$ 985,407</u>	<u>\$ 1,205,428</u>	<u>\$ 1,462,528</u>	<u>\$ 2,290,697</u>	<u>\$ 1,656,234</u>
All Other Governmental Funds					
Reserved		\$ 1,300,519	\$ 666,809	\$ 13,568,681	\$ 6,399,493
Unreserved	<u>\$ (117,919)</u>	<u>(357,591)</u>	<u>13,415,459</u>	<u>(4,634,894)</u>	<u>(6,054,402)</u>
Total All Other Governmental Funds	<u>\$ (117,919)</u>	<u>\$ 942,928</u>	<u>\$ 14,082,268</u>	<u>\$ 8,933,787</u>	<u>\$ 345,091</u>

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Tax Levy	\$ 32,938,598	\$ 35,213,749	\$ 37,221,009	\$ 40,168,989	\$ 41,346,944
Tuition Charges	30,356	65,034	99,750	90,842	73,703
Transportation Fees	75,146	92,556	113,283	112,160	98,884
Miscellaneous	109,953	109,610	484,862	742,044	688,559
State Sources	8,337,946	10,753,639	10,913,026	13,686,119	16,663,301
Federal Sources	872,074	1,031,124	1,157,538	979,667	1,285,959
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>60,157,350</b>
<b>Expenditures</b>					
Instruction					
Regular Instruction	20,668,232	21,322,336	23,417,459	23,875,216	25,240,736
Special Education Instruction	5,068,683	5,248,930	5,599,902	6,027,973	7,261,192
Other Instruction	896,684	1,309,562	1,376,348	719,701	926,241
School Sponsored Activities And Athletics	1,086,124	1,008,977	1,004,949	996,633	1,044,070
Community Services	5,469	2,269	6,776	7,371	7,085
Support Services:					
Student & Inst. Related Services	4,629,961	4,758,589	4,109,036	5,600,901	5,420,690
General Administration	2,666,740	2,939,464	3,003,895	3,212,463	3,552,671
School Administrative Services	921,792	991,275	1,237,401	1,062,993	1,168,098
Plant Operations And Maintenance	4,460,888	4,903,623	5,111,664	5,375,082	5,483,907
Pupil Transportation	1,376,794	1,654,566	1,828,446	1,885,159	1,916,150
Other Support Services	1,076,199	1,196,096	1,206,096	1,199,898	1,342,790
Special Schools	23,778				
Capital Outlay	279,983	3,429,821	3,068,306	8,700,301	14,484,261
Debt Service:					
Principal	115,000	110,000	164,210	635,671	659,469
Interest And Other Charges	38,341	31,818	209,560	779,567	733,483
<b>Total Expenditures</b>	<b>43,314,668</b>	<b>48,907,326</b>	<b>51,344,048</b>	<b>60,078,929</b>	<b>69,240,843</b>
Excess (Deficiency) Of Revenues					
Over (Under) Expenditures	(950,595)	(1,641,614)	(1,354,580)	(4,194,108)	(9,083,493)
<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	17,100
Premium On Bonds		8	15,255		
Accrued Interest On Bonds		6,493			
Transfers In		8,227	37,914		179,742
Transfers Out	\$ (185,000)	(188,227)	(311,314)	(265,000)	(336,508)
<b>Total Other Financing Sources (Uses)</b>	<b>(185,000)</b>	<b>2,922,482</b>	<b>14,751,020</b>	<b>(126,204)</b>	<b>(139,666)</b>
<b>Net Change In Fund Balances</b>	<b>\$ (1,135,595)</b>	<b>\$ 1,280,868</b>	<b>\$ 13,396,440</b>	<b>\$ (4,320,312)</b>	<b>\$ (9,223,159)</b>
Debt Service As A Percentage Of					
Noncapital Expenditures	0.36%	0.31%	0.77%	2.75%	2.54%

\* Noncapital expenditures are total expenditures less capital outlay.



**NUTLEY BOARD OF EDUCATION  
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE  
LAST SIX 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
2007	382,866	73,703	98,884	15,803	11,995	264,272	847,523

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>
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	3,877,304,526	0.98
2007	27,407,900	3,320,422,800			624,338,700	22,841,600	162,549,200	4,157,560,200	5,503,300	4,163,063,500	4,278,081,024	1.02

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>
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
2006	0.98	0.66	.40	.01	2.05
2007	1.02	0.75	0.40	.01	2.18

Source: Township of Nutley, Tax Assessor

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

Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value
Hoffman-LaRoche, Inc.	\$ 303,318,696	7.32%
432 Owners Inc.	33,000,000	0.79%
492 River Road LLC-Reckson Assoc.	26,035,600	0.63%
Nutley Properties	20,239,700	0.49%
Public Service Electric & Gas	18,574,600	0.41%
Village Manor Apts.	17,324,300	0.42%
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>\$ 454,324,796</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	
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
2007	41,346,944	41,346,944	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2003	\$ 550,000		\$ 550,000	28,052	\$ 20
2004	3,363,000	\$ 135,964	3,498,964	27,745	126
2005	18,183,000	160,919	18,343,919	27,387	670
2006	17,633,000	218,804	17,851,804	27,011	661
2007	17,063,000	146,435	17,209,435	27,011	637

Source: District records

**NUTLEY BOARD OF EDUCATION**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST FIVE 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%	664
2006	17,633,000		17,633,000	0.4%	653
2007	17,063,000		17,063,000	0.4%	632

Source: District records

**NUTLEY BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2007  
(Unaudited)**

Net Direct Debt of School District as of June 30, 2007		\$ 55,563,987
Net Overlapping Debt of School District		
Township of Nutley	\$ 11,944,020	
Essex County	20,767,642	
Essex County Utilities Authority (A)	5,306,011	
Passaic Valley Sewerage Commission (B)	7,706,757	
North Jersey District Water Supply Commission (B)	4,598,774	
		<u>50,323,204</u>
Total Direct and Overlapping Debt as of June 30, 2007		<u>\$ 105,887,191</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2006 equalized value by the total 2006 equalized value for Essex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Township of Nutley 2006 Annual Debt Statement
- (2) Essex County 2006 Annual Debt Statement
- (3) Essex County Utilities Authority
- (4) North Jersey District Water Supply Commission
- (5) Passaic Valley Sewerage Commission



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

	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	\$ 155,061,050
Total Net Debt Applicable To Limit	1,010,000	895,000	780,000	665,000	5,422,673	5,302,928	18,183,987	17,633,987	55,563,987
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>	<u>\$ 99,497,063</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%	35.83%

**Legal Debt Margin Calculation for Fiscal Year 2007**

	Equalized Valuation Basis
2006	\$ 4,237,123,966
2005	3,905,902,568
2004	3,486,552,189
	<u>\$ 11,629,578,723</u>
Average Equalized Valuation of Taxable Property	\$ 3,876,526,241
Debt Limit (4 % of Average Equalization Value)	155,061,050
Total Net Debt Applicable to Limit	<u>55,563,987</u>
Legal Debt Margin	<u>\$ 99,497,063</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>
1998	25,867	32,565	3.20%
1999	25,764	33,626	3.30%
2000	27,473	37,034	2.70%
2001	27,937	38,082	3.10%
2002	28,076	37,744	4.20%
2003	28,052	38,676	4.20%
2004	27,745	41,726	3.40%
2005	27,387	43,951	3.60%
2006	27,011	N/A	3.90%
2007	27,011	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 TWO FISCAL YEARS**  
**(Unaudited)**

<b><u>Function/Program</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Instruction		
Regular	231	251
Special Education	31	35
Support Services		
Student and Instruction Related Services	47	51
General Administration		3
School Administrative Services	10	10
Other Administrative Services	12	9
Central Services	19	19
Administrative Information Technology	3	3
Plant Operations and Maintenance	42	42
Pupil Transportation	31	31
Other Support Services	65	71
Food Service	16	14
Total	<u>507</u>	<u>539</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			
1998	3,914	34,080,666		8,707	1.35%	N/A	N/A	N/A	N/A	3,914	3,713	94.86%
1999	3,936	36,268,392		9,215	5.82%	N/A	N/A	N/A	N/A	3,936	3,741	95.05%
2000	3,996	37,036,457		9,268	0.58%	N/A	N/A	N/A	N/A	3,996	3,797	95.02%
2001	4,032	38,631,744		9,581	3.38%	N/A	N/A	N/A	N/A	4,032	3,826	94.89%
2002	4,112	40,416,504		9,829	2.58%	N/A	N/A	N/A	N/A	4,112	3,908	95.04%
2003	4,204	43,196,748		10,275	4.54%	N/A	N/A	N/A	N/A	4,204	3,981	94.70%
2004	4,199	45,714,302		10,887	5.95%	N/A	N/A	N/A	N/A	4,199	3,984	94.88%
2005	4,235	48,460,759		11,443	5.11%	N/A	N/A	N/A	N/A	4,235	4,022	94.97%
2006	4,180	51,585,485		12,341	7.85%	308.3	11	22	14	4,180	3,978	95.17%
2007	4,065	53,363,630		13,128	6.37%	336.0	11	13	14	4,065	3,854	94.81%

Sources: District records

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

N/A - Not Available

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>District Building</u></b>			
<b><u>Nutley High School</u></b>			
Square Feet	192,260.00	192,260.00	192,260.00
Capacity (students)	909.62	909.62	909.62
Enrollment	1,366.50	1,357.50	1,355.00
<b><u>Franklin Middle School</u></b>			
Square Feet	92,010.00	92,010.00	128,036.00
Capacity (students)	412.99	412.99	412.99
Enrollment <sup>a</sup>	683.00	665.00	581.00
<b><u>Radcliffe Elementary School</u></b>			
Square Feet	45,305.00	45,305.00	45,305.00
Capacity (students)	412.69	412.69	412.69
Enrollment	363.00	366.00	349.00
<b><u>Yantacaw Elementary School</u></b>			
Square Feet	49,512.00	49,512.00	49,512.00
Capacity (students)	439.76	439.76	439.76
Enrollment	504.00	507.00	492.00
<b><u>Washington Elementary School</u></b>			
Square Feet	49,097.00	49,097.00	49,097.00
Capacity (students)	351.65	351.65	351.65
Enrollment	399.00	387.00	396.00
<b><u>Spring Garden Elementary School</u></b>			
Square Feet	43,955.00	43,955.00	43,955.00
Capacity (students)	378.62	378.62	378.62
Enrollment	421.00	394.00	391.00
<b><u>Lincoln Elementary School</u></b>			
Square Feet	56,342.00	56,342.00	56,342.00
Capacity (students)	462.62	462.62	462.62
Enrollment	510.00	503.00	492.00

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Other</u>			
Maintenance Warehouse			
Square Feet	5,386.00	5,386.00	5,386.00
Demuro Park Field House			
Square Feet	4,848.00	4,848.00	4,848.00
Oval Refreshment Stand			
Square Feet	1,309.00	1,309.00	1,309.00
Storage Shed			
Square Feet	912.00	912.00	912.00

Number of Schools at June 30, 2007

    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 SEVEN YEARS  
(Unaudited)

	Project #(s)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>School Facilities</b>								
Nutley High School	N/A	\$ 208,586	\$ 189,012	\$ 205,791	\$ 196,304	\$ 290,851	\$ 349,696	\$ 301,115
Franklin Middle School	N/A	99,823	90,455	95,956	101,344	109,741	83,399	95,214
Lincoln Elementary School	N/A	61,092	55,359	61,793	34,291	32,516	119,064	50,957
Radcliffe Elementary School	N/A	49,152	44,540	40,903	61,179	100,198	46,072	106,810
Spring Garden Elementary School	N/A	50,074	45,375	37,953	85,534	70,098	71,788	56,796
Washington Elementary School	N/A	54,479	49,367	52,187	117,257	116,780	81,374	64,067
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>	<u>123,260</u>
Total School Facilities		577,251	523,082	539,348	686,010	804,735	825,730	798,219
<b>Other Facilities</b>								
		<u>-</u>	<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>	<u>\$ 798,219</u>



**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
JUNE 30, 2007  
(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 Selective Insurance Co.	150,000 9,850,000	N/A 150,000
Automobile Liability	Suburban Essex JIF Selective Insurance Co.	150,000 9,850,000	N/A 150,000
Excess School Liability (GL and AL)	Suburban Essex JIF Selective Insurance Co.	150,000 9,850,000	500 150,000
School Board Legal Liability	Suburban Essex JIF ACE American Service Company	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 Selective Reinsurance Corp	250,000 Statutory Cov A 9,750,000 Cov B	N/A 250,000 250,000
Public Official Bonds Dave Wilson Robert Green	Selective RLI Insurance Company	275,000 3,000	N/A N/A

Source: School District's records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA  
DEBRA GOLLE, CPA

## 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, 2007, which collectively comprise the Nutley Board of Education's basic financial statements and have issued our report thereon dated November 5, 2007. 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 the Nutley Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 do not express an opinion on the effectiveness of the Nutley Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nutley Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Nutley Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the Nutley Board of Education's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-1, 2007-2 and 2007-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Nutley Board of Education's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we considered item 2007-2 and 2007-3 to be material weaknesses.

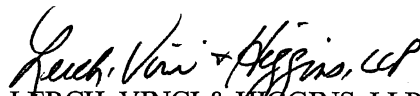
### **Compliance and Other Matters**


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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by Division of Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2 and 2007-3.

We also noted certain matters that we 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 November 5, 2007.

Nutley Board of Education's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Nutley Board of Education's response and, accordingly, we express no opinion on it.

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  
November 5, 2007

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL 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, 2007. 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2007-4, 2007-5 and 2007-6.

### **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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Board's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.


A control deficiency in the Board's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-5 and 2007-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the Board's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-5 and 2007-6 to be material weaknesses.

The Board of Education's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education's response and, accordingly, we express no opinion on it.

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

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance July 1, 2006	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Adjustment	Balance June 30, 2007		
										(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education Passed Through State Department of Education												
<u>Special Revenue Fund:</u>												
Title I	84.010	9/1/06-8/31/07	\$ 159,676			\$ 159,676	\$ 130,936				\$ 28,740	
Title I	84.010	9/1/05-8/31/06	166,043	\$ 6,695	\$ (4,737)		1,958					
Title I, Carryover	84.010	9/1/05-8/31/06	166,043		4,737		4,737					
Title I, Carryover	84.010	9/1/04-8/31/05	201,529	3,057			3,057					
Title I SIA	84.010	9/1/06-8/31/07	987			987	987					
Title III Part A	84.365	9/1/06-8/31/07	17,305			17,305	16,164				1,141	
Title III Part A	84.365	9/1/05-8/31/06	29,294	(1,068)	(955)					\$ (2,023)		
Title III Part A, Carryover	84.365	9/1/05-8/31/06	29,294		955		347		\$ 2		610	
Title III Part A, Carryover	84.365	9/1/04-8/31/05	16,065	197			197					
Title V Part A	84.298	9/1/06-8/31/07	6,270			6,270	6,189				81	
Title V Part A	84.298	9/1/05-8/31/06	10,204	586	(586)							
Title V Part A, Carryover	84.298	9/1/05-8/31/06	10,204		586		586					
IDEA Part B	84.027	9/1/06-8/31/07	808,063			808,063	709,618				98,445	
IDEA Part B	84.027	9/1/05-8/31/06	751,251	222,761	(30,860)		191,901					
IDEA Part B Carryover	84.027	9/1/05-8/31/06	751,251		30,860		30,868		8			
IDEA Part B Carryover	84.027	9/1/03-8/31/04	630,732	5								\$ 5
IDEA Part B, Carryover	84.027	9/1/02-8/31/03	519,276	125								125
IDEA Part B Preschool	84.027	9/1/06-8/31/07	41,201			41,201	41,201					
Carl D. Perkins- Secondary	84.048	7/1/06-6/30/07	18,825			18,825	18,825					
Title IV (Drug Education)	84.188	9/1/06-8/31/07	11,218			11,218	9,045				2,173	
Title IV (Drug Education)	84.188	9/1/05-8/31/06	13,493	6,375	(6,375)						-	
Title IV (Drug Education), Carryover	84.188	9/1/05-8/31/06	13,493		6,375		5,604				771	
Title IV (Drug Education), Carryover	84.188	9/1/04-8/31/05	13,963	4,037			4,029					8
Title II Part A	84.367	9/1/06-8/31/07	100,013			100,013	99,599				414	
Title II Part A	84.367	9/1/05-8/31/06	101,351	1,250	(1,250)							
Title II Part A, Carryover	84.367	9/1/05-8/31/06	101,351		1,250		1,250					
Title II Part A, Carryover	84.367	9/1/04-8/31/05	65,644	117			97					20
Title II Part D	84.367	9/1/06-8/31/07	708			708	647				61	
Title II Part D	84.367	9/1/05-8/31/06	3,054	1,563	(1,388)		175					
Title II Part D, Carryover	84.367	9/1/05-8/31/06	3,054		1,388		1,388					
Title II Part D, Carryover	84.367	9/1/04-8/31/05	5,149	230			230					
School To Career	N/A	N/A	805	258								258
Technology Literacy Challenge	84.318	4/1/99-3/31/00	95,000	(441)	-	-	-	-	-	(441)	-	-
Total Special Revenue Fund				245,747	-	1,164,266	1,279,635	-	10	(2,464)	132,436	416
U.S.D.A. Department of Agriculture Passed Through State Department of Education												
<u>Enterprise Fund:</u>												
Food Distribution Program	10.550	9/1/05-6/30/06	28,145	3,131		-	3,131					
Food Distribution Program	10.550	9/1/06-6/30/07	20,971			20,971	17,736				3,235	
National School Lunch Program	10.555	9/1/06-6/30/07	79,883			74,009	79,883			(5,874)		
National School Lunch Program	10.555	9/1/05-6/30/06	83,159	(5,887)	-	5,887	-	-	-	-	-	-
Total Enterprise Fund				(2,756)	-	100,867	100,750	-	-	(5,874)	3,235	-
U.S.D.A. Department of Housing and Urban Development Passed Through State Department of Education												
<u>Capital Projects Fund</u>												
Community Development Block Grant		7/1/05-6/30/06	40,000	(40,000)	-	-	-	-	-	(40,000)	-	-
Total Federal Financial Awards				\$ 202,991	\$ -	\$ 1,265,133	\$ 1,380,385	\$ -	\$ 10	\$ (48,338)	\$ 135,671	\$ 416

(A)- Encumbrances Cancelled

**NUTLEY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

State Department of Education	Grant or State Project Number	Grant	Award Amount	Balance June 30, 2006	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2007			Memorandum	
									(Accis. Receivable)	Deferred Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
General Fund:													
Core Curriculum Aid	07-495-034-5120-022	7/1/06-6/30/07	\$ 2,799,975			\$ 2,666,762	\$ 2,799,975		\$ (133,213)				\$ 2,799,975
Core Curriculum Aid	06-495-034-5120-022	7/1/05-6/30/06	2,799,975	(117,992)		117,992							
Transportation Aid	07-495-034-5120-014	7/1/06-6/30/07	345,006			328,592	345,006		(16,414)				345,006
Transportation Aid	06-495-034-5120-014	7/1/05-6/30/06	345,006	(17,250)		17,250							
Special Education Aid	07-495-034-5120-011	7/1/06-6/30/07	2,235,481			2,129,125	2,235,481		(106,356)				2,235,481
Special Education Aid	06-495-034-5120-011	7/1/05-6/30/06	2,235,481	(111,774)		111,774							
Bilingual Education	07-495-034-5120-008	7/1/06-6/30/07	65,426			62,313	65,426		(3,113)				65,426
Bilingual Education	06-495-034-5120-008	7/1/05-6/30/06	65,426	(3,271)		3,271							
Consolidated Aid	07-495-034-5120-057	7/1/06-6/30/07	475,088			452,485	475,088		(22,603)				475,088
Consolidated Aid	06-495-034-5120-057	7/1/05-6/30/06	475,088	(23,759)		23,759							
Extraordinary Aid	07-495-034-5120-044	7/1/06-6/30/07	166,155			166,155			(166,155)				166,155
Extraordinary Aid	06-495-034-5120-044	7/1/05-6/30/06	198,148	(198,148)		198,148							
Additional Formula Aid	07-495-034-5120-058	7/1/06-6/30/07	177,629			169,178	177,629		(8,451)				177,629
Additional Formula Aid	06-495-034-5120-058	7/1/05-6/30/06	177,629	(8,877)		8,877							
TPAF Social Security Contribution	06-495-034-5095-002	7/1/05-6/30/06	1,767,457	(89,333)		89,333							
TPAF Social Security Contribution	07-495-034-5095-002	7/1/06-6/30/07	1,830,190			1,738,277	1,830,190		(91,913)				1,830,190
TPAF Pension Contribution-Normal	07-495-034-5095-116	7/1/06-6/30/07	1,908,210			1,908,210							1,908,210
TPAF Pension Contribution-Post Retirement	07-100-034-5095-001	7/1/06-6/30/07	1,816,684	-	-	1,816,684	1,816,684	-	-	-	-	-	1,816,684
Total General Fund				(570,404)	-	11,842,030	11,819,844	-	(548,218)	-	-	91,913	11,819,844
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbooks	07-100-034-5120-064	7/1/06-6/30/07	33,597			33,597	33,353				\$ 244		33,353
Textbooks	06-100-034-5120-064	7/1/05-6/30/06	36,897	323				\$ 323					-
Auxiliary Services:													
Compensatory Education	06-100-034-5120-067	7/1/05-6/30/06	96,575	10,623				10,623					-
Compensatory Education	07-100-034-5120-067	7/1/06-6/30/07	147,226			147,226	105,603				41,623		105,603
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	764				764					-
English as a Second Language	07-100-034-5120-067	7/1/06-6/30/07	29,435			29,435	10,658				18,777		10,658
Transportation	07-100-034-5120-067	7/1/06-6/30/07	14,336			14,336	14,336						14,336
Home Instruction	07-100-034-5120-067	7/1/06-6/30/07	3,245				3,245		(3,245)				3,245
Home Instruction	06-100-034-5120-067	7/1/05-6/30/06	11,520	(11,520)		11,520						3,245	-
Handicapped Services:													
Supplemental Instruction	06-100-034-5120-066	7/1/05-6/30/06	21,476	5,865				5,865					-
Supplemental Instruction	07-100-034-5120-066	7/1/06-6/30/07	23,954			23,954	19,163				4,791		19,163
Examination and Classification	06-100-034-5120-066	7/1/05-6/30/06	28,215	8,335				8,335					-
Examination and Classification	07-100-034-5120-066	7/1/06-6/30/07	41,350			41,350	35,860				5,490		35,860
Corrective Speech	06-100-034-5120-066	7/1/05-6/30/06	27,990	5,952				5,952					-
Corrective Speech	07-100-034-5120-066	7/1/06-6/30/07	40,548			40,548	31,248				9,300		31,248
Nonpublic Nursing	07-100-034-5120-070	7/1/06-6/30/07	44,105			44,105	44,105						44,105
Nonpublic Technology Initiative	07-100-034-5120-373	7/1/06-6/30/07	24,080			24,080	24,080						24,080
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	7,303				7,303					7,303
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		-
Teacher Mentoring	N/A	7/1/05-6/30/06	4,116	595			595						595
Teacher Mentoring	N/A	7/1/06-6/30/07	6,384			6,384	5,351			1,033			5,351
Governor's Initiative on Autism	07-FB01-403	4/1/07-6/30/08	700,000			155,967			(544,033)	700,000		544,033	-
Statewide Systematic	05-100-034-5120-348	7/1/04-6/30/05	10,000	-	-	-	-	-	-	-	-	-	-
Total Special Revenue Fund				31,149	-	572,502	334,900	31,862	(547,972)	701,033	83,828	547,972	334,900
Capital Projects Fund													
Educational Facilities													
Construction and Financing Act	3750-050-03-1027	7/1/03-6/30/07	10,718,686	(3,725,879)	-	7,015,684	5,174,909	-	(1,885,104)	-	-	1,885,104	10,718,686
Debt Service Fund:													
Debt Service Aid Type II	07-495-034-5120-017	7/1/06-6/30/07	11,714	-	-	11,714	11,714	-	-	-	-	-	11,714
State Department of Agriculture													
Enticement Fund:													
National School Lunch Program	06-100-034-5120-122	7/1/05-6/30/06	6,815	(496)		496			-				-
National School Lunch Program	07-100-034-5120-122	7/1/06-6/30/07	6,750			6,248	6,750		(502)			502	6,750
				(496)	-	6,744	6,750	-	(502)	-	-	502	6,750
Total State Financial Assistance				\$ (4,265,620)	\$ -	\$ 19,448,674	\$ 17,348,117	\$ 31,862	\$ (2,981,796)	\$ 701,033	\$ 83,828	\$ 2,525,491	\$ 22,891,894



**NUTLEY BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**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 \$24,766 for the general fund and \$5,897 for the special revenue fund. See the Notes to the 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		\$ 11,844,610	\$ 11,844,610
Special Revenue Fund	\$ 1,285,959	334,473	1,620,432
Capital Projects Fund		4,472,504	4,472,504
Debt Service Fund		11,714	11,714
Food Service Fund	100,750	6,750	107,500
	<u>100,750</u>	<u>6,750</u>	<u>107,500</u>
Total Financial Assistance	<u>\$ 1,386,709</u>	<u>\$ 16,670,051</u>	<u>\$ 18,056,760</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, 2007**

**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, 2007. 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, 2007.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*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:   X   yes        no

2) Significant deficiencies 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) Significant deficiencies 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?   X   yes        no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEIA Basic and Preschool
_____	_____
_____	_____
_____	_____

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, 2007**

*Part I – Summary of Auditor's Results*

**State Awards Section**

Internal Control over major programs:

(1) Material weakness(es) identified

  X   yes             no

(2) Significant deficiencies 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?

  X   yes             no

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>07-495-034-5120-053</u>	<u>Consolidated Aid</u>
<u>07-495-034-5120-022</u>	<u>Core Curriculum Standards Aid</u>
<u>07-495-034-5120-011</u>	<u>Special Education Aid</u>
<u>07-495-034-5120-008</u>	<u>Bilingual Education Aid</u>
<u>07-495-034-5120-058</u>	<u>Additional Formula Aid</u>
<u>07-495-034-5120-044</u>	<u>Extraordinary Aid</u>
<u>3750-050-03-1027</u>	<u>Educational Facilities Construction</u>

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

\$387,625

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, 2007**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, 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 2007-1**

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 outstanding purchase orders totaled \$304,534.

**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 \$304,534 at June 30, 2007 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.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, 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 2007-2**

Our audit revealed that change orders for capital projects contracts were not encumbered when approved by the Board. In addition, a contract awarded in June 2007 for a capital project was not encumbered. Work on this project began at the end of June.

**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 understated in the District's financial reports at year end.

**Questioned Costs**

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

**Context**

All change orders and contract awards should be encumbered upon approval by the Board.

**Effect**

Reserve for encumbrances were understated, fund balance (funds available) were overstated.

**Recommendation**

All contracts awarded and change orders be encumbered upon approval by the Board.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, 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 2007-3**

Our audit revealed that:

- The Capital Reserve balance was understated by \$275,000 at year end.
- The State debit/credit memo for the prior year non-public monies in the amount of \$31,862 was not posted to the district's subsidiary revenue ledger.
- The 06-07 extraordinary aid was not accrued in the district's financial reports.
- The 05-06 extraordinary aid was recorded as a revenue in the district's financial statements.
- Amounts included in the 06-07 adopted capital outlay budget as "budgeted capital outlay – transfer to capital projects" and "budgeted withdrawal to capital projects from capital reserve" were not transferred to capital projects. Expenditures were charged directly to the budgeted capital outlay line item. The budgeted withdrawal line item was not included in the district's budget report.
- The transfer of \$156,765 from the General Fund budget to cover the deficit in the Food Service Enterprise Fund was not recorded in the Food Service Enterprise Fund financial statements at year end.
- A capital project (rehabilitation of Franklin Middle School) application approved for state aid, by the State Office of School Facilities on September 29, 2006, was not recorded as a separate capital project in the District's financial accounting records.

**Criteria or specific requirement**

State Department of Education's GAAP Technical Systems Manual, Generally Accepted Accounting Principals.

**Condition**

Financial statement balances were over (under) stated at June 30, 2007.

**Questioned Costs**

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

**Context**

All balance sheet accounts should be reviewed prior to month end for accuracy.

**Effect**

Receivable balances were understated, the Capital Reserve balance was understated, cash and fund equity balances were overstated in the General Fund and understated in the Food Service Enterprise Fund and the Capital Projects Fund.

**Recommendation**

Internal controls over financial reporting be reviewed and enhanced.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*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**

**Finding 2007-4**

Our audit of the IDEIA Grant revealed that documentation of employee time and effort is not maintained.

**Federal Program Information**

IDEIA Basic and Preschool

**Criteria or specific requirement**

Federal Grant Compliance Supplement

**Condition**

Payroll certifications and/or semi-annual certifications of employee time and effort were not maintained.

**Questioned Costs**

None.

**Context**

Payroll certifications and/or semi-annual certifications of employee time and effort are required for all salaries charged to the IDEIA grants.

**Effect**

Unknown.

**Recommendation**

Documentation supporting employee time and effort be maintained for all IDEIA programs.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.



**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***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**

**Finding 2007-5**

See Finding 2007-2.

**State Program Information**

Educational Facilities Construction and Financing Act

**Criteria or specific requirement**

State Grant Compliance Supplement

**Condition**

See Finding 2007-2.

**Questioned Costs**

None.

**Context**

See Finding 2007-2.

**Effect**

See Finding 2007-2.

**Recommendation**

See Finding 2007-2.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***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**

**Finding 2007-6**

Our audit revealed that:

- The Capital Reserve balance was understated by \$275,000 at year end.
- The state debit/credit memo for the prior year nonpublic monies in the amount of \$31,862 was not posted to the district's subsidiary revenue ledger.
- The 06-07 extraordinary aid was not accrued in the district's financial reports.
- The 05-06 extraordinary aid was recorded as a revenue in the district's financial statements.
- Amounts included in the 06-07 adopted capital outlay budget as "budgeted capital outlay – transfer to capital projects" and budgeted withdrawal to capital projects from capital reserve: were not transferred to capital projects. Expenditures were charged directly to the budgeted capital outlay line item. The budgeted withdrawal line item was not included in the district's budget report.
- A capital project (rehabilitation of Franklin Middle School) application approved for state aid, by the State Office of School Facilities on September 29, 2006, was not recorded as a separate capital project in the District's financial accounting records.

**State Program Information**

Consolidated Aid  
Core Curriculum Standards Aid  
Special Education Aid  
Bilingual Education Aid  
Additional Formula Aid  
Extraordinary Aid

**Criteria or specific requirement**

State Grant Compliance Supplement

**Condition**

See Finding 2007-3.

**Questioned Costs**

None.

**Context**

See Finding 2007-3.

**NUTLEY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

*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 (Continued)**

**Finding 2007-6**

**Effect**

See Finding 2007-3.

**Recommendation**

See Finding 2007-3.

**View of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NUTLEY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-135 (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 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.

**Status**

See Finding 2007-1.