

NUTLEY BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Nutley, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Nutley Board of Education

Nutley, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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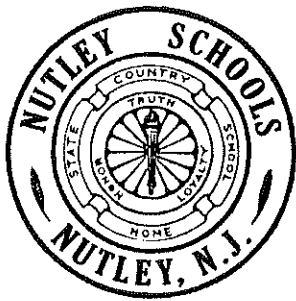
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INTRODUCTORY SECTION



THE NUTLEY PUBLIC SCHOOLS

**Administrative Office
315 Franklin Avenue
Nutley, New Jersey 07110**

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Superintendent of Schools
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Fax: 973-320-8476**

**Karen A. Yeamans
Business Administrator/
Board Secretary
Phone: 973-661-8797
Fax: 973-320-8475**

November 20, 2017

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 five 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, 2017.

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, 2017, 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, 2017, 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). 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 2016-17 fiscal year with an average daily enrollment of 4,075 students, which is 49 students more than 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>
2016-17	4,075	1.22%
2015-16	4,026	0.52%
2014-15	4,005	(0.37%)
2013-14	4,020	(0.40%)
2012-13	4,036	1.87%

2) ECONOMIC CONDITION AND OUTLOOK: 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 provided for renovations/additions to the John H. Walker Middle School. That project has been completed. 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. The majority of the renovations have been completed. Additional security projects at Lincoln School were completed in 2014-15 and Spring Garden was completed in the fall of 2016. The high school project will be completed in the fall of 2017 and Washington School is slated for completion in the spring of 2018. These projects will complete the \$38.5M referendum.

3) MAJOR INITIATIVES: During the 2016-17 school year, the Nutley Public Schools engaged in a variety of major initiatives outlined as follows:

Rotating Drop Schedule at Nutley High School: School and District staff and Administration visited 9 similar districts, surveyed staff and community, met with area food merchants and businesses, and in the Spring piloted a new Rotating Drop Schedule including a one-hour common lunch. Based on the success of the pilot, this new schedule will be implemented in 2017-2018.

1:1 Initiative: The district rolled out a 1:1 Chromebook initiative in grades 7/8 further enhancing the integration of technology for our staff and students. Grade six will be added for 2017-2018, and grades 9-12 will be added in subsequent years.

Kindergarten Screening: A new program of assessment for incoming Kindergarten students was implemented in each of the District's five elementary schools. Screening was used to assist in placement and the informing of instruction.

Program Review: As part of the cycle of Curriculum, Instruction, and Assessment improvement the District engaged in scheduled Program Review for several programs:

- English Language Arts: An outside evaluator, working with staff and administration reviewed and identified strengths and areas for growth in the PK-12 English, language arts program. Curriculum and Assessment revisions have been made as a result
- Strategies (Instructional Support) Program: As a result, the staff was re-deployed, specific entry/exit criteria have been identified, and Levelled Literacy Instruction (LLI) was piloted at Lincoln School. Due to the success of the pilot, LLI will be implemented in all five of the District's elementary schools in 2017-2018.
- Gifted and Talented Program: As a result, specific entry/exit criteria have been identified, and the Cognitive Abilities Test (CogAt) has been added as an assessment tool as one indicator of program placement.
- Social Studies: Revised curriculum and assessment has been implemented in Grades K-12. New texts and resources to support curriculum, instruction, and assessment have also been added.

District Mentor Plan: In conjunction with the Local Professional Development Committee and the District's School Improvement teams the District Mentor Plan has been revised and updated resulting in a more robust teacher induction and retention program.

Five Year Strategic Plan: The District has completed the action items detailed in its first Five Year Strategic Plan. Improvements have been noted in six areas including Character, Communication, Community, Competency, Configuration, and Curriculum. A new plan building on the momentum of the first is being developed for 2017-2018.

The schools' academic program is further enhanced by a co-curricular program that includes twenty-five interscholastic athletic teams, and in an effort to engage as many students as possible in activities, we continue to expand offering a wide variety of extra-curricular activities at every level including, dramatics, student government, publications, service organizations, and clubs.

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, 2017.

6) DEBT ADMINISTRATION: As of June 2017, the District's outstanding debt is \$40,865,000 of school bonds. In April 2003 the voters approved the issuance of \$2,923,000 of school bonds. These bonds were issued in August 2003. These 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.

In September 2004, the voters approved the issuance of \$14,930,000 of school bonds. These bonds were issued in February of 2005. These proceeds were 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.

In December 2006, the voters approved the issuance of \$38,500,000 of school bonds. These bonds were issued in June of 2007. These proceeds were 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.

The 2003 and 2005 school bonds were refunded during the 2012/2013 school year. The refunding reduced total debt service payments by \$1,045,664. The 2007 school bonds were refunded during the 2015/15 school year. This refunding reduced total debt service payments by \$2,733,139.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District's cash management plan has all public funds deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protections Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

9) OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by licensed public school accountants who are independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board to perform the audit for the year ended June 30, 2017. In addition to meeting the requirements set forth in State Statutes, the audit was also designed to meet the requirements of the U.S. Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditors' report on the 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,



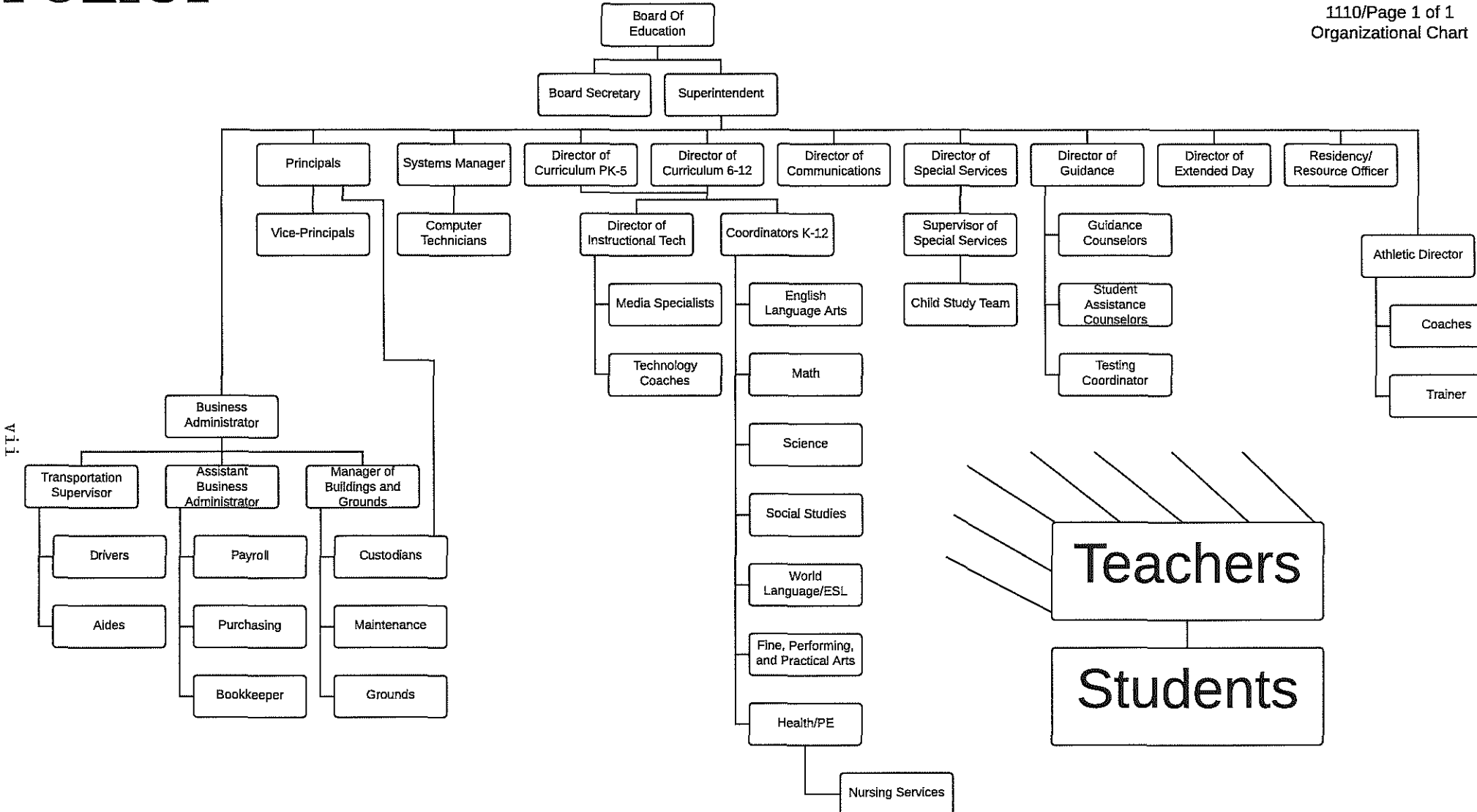
DR. JULIE GLAZER
Superintendent of Schools



KAREN A. YEAMANS
Business Administrator/
Board Secretary

POLICY

1110 Organizational Chart



pted: 3 May 2004
ised: 10 September 2012
ised: 31 August 2017

**NUTLEY BOARD OF EDUCATION
ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. Salvatore Balsamo	2018
Mr. Daniel Carnicella	2019
Mrs. Lisa Danchak-Martin	2017
Mr. Salvatore Ferraro	2017
Mr. Ryan Kline	2018
Mr. Charles Kucinski	2019
Mrs. Deborah Russo	2018
Mr. Fredrick Scalera	2017
Ms. Brenda Sherman	2019

Other Officials

Julie Glazer, Superintendent

Karen A. Yeamans, Business Administrator/Board Secretary

Joanne Wilson, Treasurer of School Monies

NUTLEY BOARD OF EDUCATION
Consultants and Advisors

Board Attorney

Schenck, Price, Smith & King, LLP
220 Park Avenue
PO Box 991
Florham Park, NJ 07932

Special Construction Counsel

Connell Foley LLP
85 Livingston Avenue
Roseland, NJ 07068

Independent Auditors

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

Official Depository

TD Bank
575 Kingsland Street
Nutley, NJ 07110

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLSI, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Nutley Board of Education, as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nutley Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nutley Board of Education.


The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2017 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 effectiveness of the Nutley Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Nutley Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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, 2017. 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 2016-2017 fiscal year include the following:

- The assets and deferred outflows of resources of the Nutley Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,459,902.
- Overall district revenues were \$89,311,946. General revenues accounted for \$61,493,555 or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$27,818,391 or 31% of total revenues.
- The school district had \$88,975,427 in expenses for governmental activities; only \$25,697,231 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$61,493,215 were adequate to provide for these programs. The district also had a loss on the disposal of capital assets of \$52,079.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$7,992,617.
- The General Fund (GAAP Basis) fund balance at June 30, 2017 was \$6,759,044, a decrease of \$2,037,214 from the June 30, 2016 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.

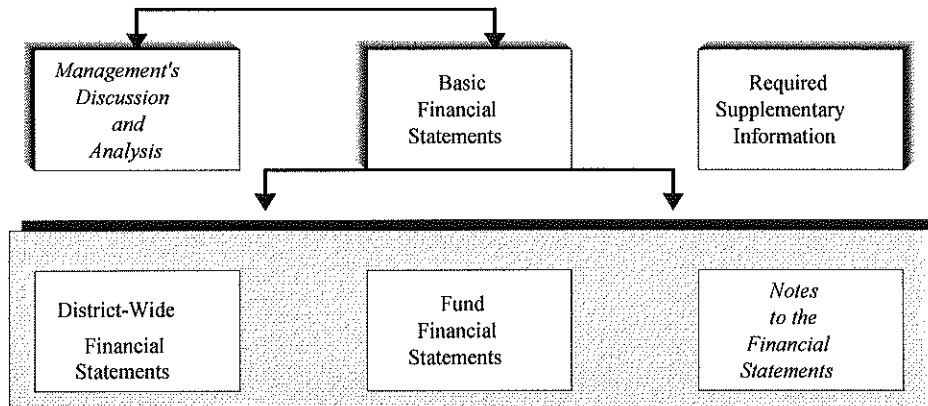
NUTLEY BOARD OF EDUCATION

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. The various parts of this annual report are arranged and related to one another, as noted below.



NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

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 are summarized below. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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: 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 position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statements of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/deferred inflows/liability information	All assets, deferred outflows, liabilities, and deferred inflows, 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, liabilities, and deferred inflows, 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 position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 position and how they have changed. Net position – the difference between the District's assets/deferred outflows and liabilities/deferred inflows – 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 position is 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, Extended Day Program Fund and Athletic Camps 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 three enterprise funds.

- Food Service (Cafeteria)
- Extended Day
- Athletic Camps

• *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 position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

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

Other Information

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a Board's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,459,902 as of June 30, 2017.

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

By far the largest portion of the District's net position 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.

Net Position As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets	\$ 8,678,755	\$ 10,775,912	\$ 1,379,186	\$ 1,159,127	\$ 10,057,941	\$ 11,935,039
Capital Assets, Net	60,842,064	60,768,652	77,694	90,147	60,919,758	60,858,799
Total Assets	<u>69,520,819</u>	<u>71,544,564</u>	<u>1,456,880</u>	<u>1,249,274</u>	<u>70,977,699</u>	<u>72,793,838</u>
Deferred Outflows of Resources	<u>11,208,853</u>	<u>6,719,869</u>	<u>-</u>	<u>-</u>	<u>11,208,853</u>	<u>6,719,869</u>
Total Assets & Deferred Outflows of Resources	<u>80,729,672</u>	<u>78,264,433</u>	<u>1,456,880</u>	<u>1,249,274</u>	<u>82,186,552</u>	<u>79,513,707</u>
Liabilities						
Long-Term Liabilities	74,238,029	69,359,853			74,238,029	69,359,853
Other Liabilities	1,350,603	1,464,766	136,877	117,058	1,487,480	1,581,824
Total Liabilities	<u>75,588,632</u>	<u>70,824,619</u>	<u>136,877</u>	<u>117,058</u>	<u>75,725,509</u>	<u>70,941,677</u>
Deferred Inflows of Resources	<u>-</u>	<u>349,920</u>	<u>1,141</u>	<u>3,083</u>	<u>1,141</u>	<u>353,003</u>
Total Liabilities & Deferred Inflows of Resources	<u>75,588,632</u>	<u>71,174,539</u>	<u>138,018</u>	<u>120,141</u>	<u>75,726,650</u>	<u>71,294,680</u>
Net Position						
Net Investment in Capital Assets	20,801,024	19,313,537	77,694	90,147	20,878,718	19,403,684
Restricted	5,012,012	4,864,909			5,012,012	4,864,909
Unrestricted	(20,671,996)	(17,088,552)	1,241,168	1,038,986	(19,430,828)	(16,049,566)
Total Net Position	<u>\$ 5,141,040</u>	<u>\$ 7,089,894</u>	<u>\$ 1,318,862</u>	<u>\$ 1,129,133</u>	<u>\$ 6,459,902</u>	<u>\$ 8,219,027</u>

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

Change in Net Position
For The Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 153,067	\$ 162,976	\$ 1,855,870	\$ 1,758,073	\$ 2,008,937	\$ 1,921,049
Operating Grants and Contributions	25,544,164	19,664,224	265,290	257,066	25,809,454	19,921,290
General Revenues						
Property Taxes	55,912,921	54,765,838			55,912,921	54,765,838
State Aid	5,179,816	5,258,126			5,179,816	5,258,126
Other	400,478	435,680	340	214	400,818	435,894
Total Revenues	<u>87,190,446</u>	<u>80,286,844</u>	<u>2,121,500</u>	<u>2,015,353</u>	<u>89,311,946</u>	<u>82,302,197</u>
Expenses						
Instruction						
Regular	39,615,017	34,587,775			39,615,017	34,587,775
Special Education	14,753,414	12,965,002			14,753,414	12,965,002
Other Instruction	1,845,551	1,598,362			1,845,551	1,598,362
School Sponsored Activities and Athletics	1,853,132	1,777,672			1,853,132	1,777,672
Community Services	10,053	8,178			10,053	8,178
Support Services						
Student and Instruction Related Services	10,525,535	9,071,293			10,525,535	9,071,293
General Administrative Services	2,255,573	2,038,030			2,255,573	2,038,030
School Administrative Services	5,732,435	5,013,306			5,732,435	5,013,306
Plant Operations and Maintenance	6,513,129	5,807,656			6,513,129	5,807,656
Pupil Transportation	2,441,456	2,463,922			2,441,456	2,463,922
Business and Other Support Services	1,796,514	1,650,848			1,796,514	1,650,848
Interest and Chgs on Long-Term Debt	1,633,618	1,678,057			1,633,618	1,678,057
Food Services			988,220	916,514	988,220	916,514
Extended Day			940,362	854,554	940,362	854,554
Athletic Camps			3,189		3,189	
Loss on Disposal of Capital Assets	52,079	27,173	-	-	52,079	27,173
Total Expenses	<u>89,027,506</u>	<u>78,687,274</u>	<u>1,931,771</u>	<u>1,771,068</u>	<u>90,959,277</u>	<u>80,458,342</u>
Increase/(Decrease) in Net Position	(1,837,060)	1,599,570	189,729	244,285	(1,647,331)	1,843,855
Net Position, Beginning of Year	7,089,894	5,669,309	1,129,133	884,848	8,219,027	6,554,157
Prior Period Adjustment/Restatement	(111,794)	(178,985)	-	-	(111,794)	(178,985)
Net Position, End of Year	<u>\$ 5,141,040</u>	<u>\$ 7,089,894</u>	<u>\$ 1,318,862</u>	<u>\$ 1,129,133</u>	<u>\$ 6,459,902</u>	<u>\$ 8,219,027</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 \$87,190,446 for the fiscal year ended June 30, 2017. Property taxes of \$55,912,921 represented 64 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal, Local and formula aid was \$30,723,980. Miscellaneous revenues include 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 \$88,975,427. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$58,077,167 (65%) of total expenditures. Student support services, exclusive of general and school administration, total \$10,525,535 or (12%) of total expenditures. The district also had a loss on the disposal of capital assets of \$52,079.

Total governmental activities expenses and the loss on disposal of capital assets surpassed revenues decreasing net position by \$1,837,060 from the previous year.

Net Cost of Governmental Activities. The District's total cost of services was \$88,975,427. After applying program revenues, derived from charges for services of \$153,067; and operating grants and contributions of \$25,544,164; the net cost of services of the District is \$63,278,196.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction				
Regular	\$ 39,615,017	\$ 34,587,775	\$ 26,201,403	\$ 24,283,288
Special Education	14,753,414	12,965,002	8,014,871	6,872,858
Other Instruction	1,845,551	1,598,362	259,311	1,122,596
School Sponsored Activities and Athletics	1,853,132	1,777,672	1,282,418	1,319,749
Community Services	10,053	8,178	6,338	5,677
Support Services				
Student and Instruction Related Services	10,525,535	9,071,293	8,485,571	7,700,332
General Administrative Services	2,255,573	2,038,030	2,133,477	1,871,703
School Administrative Services	5,732,435	5,013,306	4,837,640	4,352,094
Plant Operations and Maintenance	6,513,129	5,807,656	6,416,485	5,721,776
Pupil Transportation	2,441,456	2,463,922	2,328,317	2,339,599
Business and Other Support Services	1,796,514	1,650,848	1,678,747	1,565,172
Interest and Other Chgs on Long-Term Debt	1,633,618	1,678,057	1,633,618	1,678,057
 Total	 \$ 88,975,427	 \$ 78,660,101	 \$ 63,278,196	 \$ 58,832,901

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

Business-Type Activities – The District's total business-type activities revenues were \$2,121,500 for the fiscal year ended June 30, 2017. Charges for services accounted for 87% of total revenues. Operating grants and contributions accounted for 13% of total revenue for the year.

The total cost of all business-type activities programs and services was \$1,931,771. 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 and Athletic Camps programs.

Total business-type activities revenues surpassed expenses increasing net position by \$189,729 over the prior year balance.

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, unassigned 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 \$7,992,617 a decrease of \$2,012,872. The June 30, 2016, fund balance was \$10,005,489.

Revenues for the District's governmental funds were \$74,254,696, while total expenses were \$76,267,568.

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>Fiscal Year Ended</u>		<u>Increase</u>	<u>Percentage</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>(Decrease)</u>	<u>of Total</u>
Local Sources				
Property Tax Levy	\$ 53,153,362	\$ 52,111,139	\$ 1,042,223	2.0%
Tuition	143,067	153,876	(10,809)	-7.0%
Miscellaneous	407,042	442,672	(35,630)	-8.0%
State Sources	15,256,945	14,169,166	1,087,779	7.7%
Federal Sources	87,564	53,986	33,578	62.2%
Total General Fund Revenues	<u>\$ 69,047,980</u>	<u>\$ 66,930,839</u>	<u>\$ 2,117,141</u>	3.2%

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

Total General Fund Revenues increased by \$2,117,141 or 3.2% over the previous year.

Property taxes increased 2% over the previous year, which is within the State-mandated CAP. State aid revenues increased \$1,087,779 primarily due to the State's increased on-behalf TPAF pension contribution and increase in Extraordinary Aid.

The following schedule presents a summary of General Fund expenditures.

	<u>Fiscal Year Ended</u>		<u>Increase (Decrease)</u>	<u>Percentage of Total</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>		
Instruction	\$ 44,936,832	\$ 42,136,096	\$ 2,800,736	6.6%
Support Services	23,818,346	22,346,845	1,471,501	6.6%
Debt Service	118,815	147,585	(28,770)	-19%
Capital Outlay	<u>1,664,637</u>	<u>639,106</u>	<u>1,025,531</u>	160.5%
Total Expenditures	<u>\$ 70,538,630</u>	<u>\$ 65,269,632</u>	<u>\$ 5,268,998</u>	8.1%

Total General Fund expenditures increased \$5,268,998 from the previous year. A significant portion of the increase is attributed to increases in contractual salaries for the 2016/2017 school year, increases in on-behalf TPAF pension contributions, and capital expenditures.

In 2016-2017 General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$2,037,214. As a result, total fund balance decreased to \$6,759,044 at June 30, 2017. After deducting statutory restrictions and committed and assigned encumbrances, the unassigned fund balance (GAAP Basis) at June 30, 2017 is \$445,357.

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

Revenues of the Special Revenue Fund were \$1,718,866 for the fiscal year ended June 30, 2017. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 73% of the total revenue for the year.

Expenditures of the Special Revenue Fund were \$1,718,866. Instructional expenditures were \$1,519,552, support services expenditures were \$176,494 and capital outlay expenditures were \$22,820.

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

Capital Projects – Revenues and other financing sources were greater than expenditures and other financing uses by \$24,342 resulting in a fund balance of \$1,233,571 at June 30, 2017.

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 and Athletic Camps programs. 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 the following categories:

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reappropriation of prior year purchase orders (June 30, 2016 encumbrances).
- Appropriation of Capital Reserve and Maintenance Reserve Funds.

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$60,919,758 (net of accumulated depreciation). The capital assets consist of land, buildings, building improvements, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2016-2017 amounted to \$1,975,830 for governmental activities and \$12,453 for business-type activities.

Capital Assets at June 30, 2017 and 2016 (Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 79,932	\$ 79,932			\$ 79,932	\$ 79,932
Buildings	59,250,195	59,053,290			59,250,195	59,053,290
Machinery and Equipment	<u>1,511,937</u>	<u>1,635,430</u>	<u>\$ 77,694</u>	<u>\$ 90,147</u>	<u>1,589,631</u>	<u>1,725,577</u>
Total Capital Assets (Net)	<u>\$ 60,842,064</u>	<u>\$ 60,768,652</u>	<u>\$ 77,694</u>	<u>\$ 90,147</u>	<u>\$ 60,919,758</u>	<u>\$ 60,858,799</u>

Additional information on the District's capital assets are presented in the Notes to the Financial Statements.

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$1,288,705, capital leases payable of \$97,503, net pension liability of \$29,092,757 and bonds payable of \$40,865,000.

Additional information of the District's long-term liabilities is presented in the Notes to the Financial Statements.

Outstanding Long-Term Liabilities

	<u>2017</u>	<u>2016</u>
Serial Bonds Payable	\$ 40,865,000	\$ 42,805,000
Capital Leases	97,503	124,635
Net Pension Liability	29,092,757	21,763,777
Compensated Absences	<u>1,288,705</u>	<u>1,282,452</u>
Total Long-Term Liabilities	<u>\$ 71,343,965</u>	<u>\$ 65,975,864</u>

NUTLEY BOARD OF EDUCATION

Management's Discussion and Analysis

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 2017-2018 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, 315 Franklin Ave., Nutley, NJ 07110.

BASIC FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 8,335,530	\$ 1,297,545	\$ 9,633,075
Receivables, net			
Receivables from Other Governments	338,260	14,813	353,073
Other	4,965	62,954	67,919
Inventory		3,874	3,874
Capital Assets			
Not Being Depreciated	79,932		79,932
Being Depreciated, Net	<u>60,762,132</u>	<u>77,694</u>	<u>60,839,826</u>
Total Assets	<u>69,520,819</u>	<u>1,456,880</u>	<u>70,977,699</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	8,076,897		8,076,897
Deferred Amounts on Refundings of Debt	<u>3,131,956</u>	<u>-</u>	<u>3,131,956</u>
Total Deferred Outflows of Resources	<u>11,208,853</u>	<u>-</u>	<u>11,208,853</u>
Total Assets and Deferred Outflows of Resources	<u>80,729,672</u>	<u>1,456,880</u>	<u>82,186,552</u>
LIABILITIES			
Accounts Payable	380,183	61,299	441,482
Payable to State and Federal Governments	73,993		73,993
Accrued Interest Payable	664,465		664,465
Unearned Revenue	231,962	75,578	307,540
Noncurrent Liabilities			
Due Within One Year	2,147,549		2,147,549
Due Beyond One Year	<u>72,090,480</u>	<u>-</u>	<u>72,090,480</u>
Total Liabilities	<u>75,588,632</u>	<u>136,877</u>	<u>75,725,509</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	<u>-</u>	<u>1,141</u>	<u>1,141</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,141</u>	<u>1,141</u>
Total Liabilities and Deferred Inflows of Resources	<u>75,588,632</u>	<u>138,018</u>	<u>75,726,650</u>
NET POSITION			
Net Investment in Capital Assets	20,801,024	77,694	20,878,718
Restricted for:			
Capital Projects	4,529,215		4,529,215
Debt Service	2		2
Other Purposes	482,795		482,795
Unrestricted	<u>(20,671,996)</u>	<u>1,241,168</u>	<u>(19,430,828)</u>
Total Net Position	<u>\$ 5,141,040</u>	<u>\$ 1,318,862</u>	<u>\$ 6,459,902</u>

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

**NUTLEY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 39,615,017	\$ 62,694	\$ 13,350,920		\$ (26,201,403)		\$ (26,201,403)
Special Education	14,753,414	80,373	6,658,170		(8,014,871)		(8,014,871)
Other Instruction	1,845,551		1,586,240		(259,311)		(259,311)
School Sponsored Activities and Athletics	1,853,132		570,714		(1,282,418)		(1,282,418)
Community Services	10,053		3,715		(6,338)		(6,338)
Support Services							
Student and Instruction Related Services	10,525,535		2,039,964		(8,485,571)		(8,485,571)
General Administrative Services	2,255,573		122,096		(2,133,477)		(2,133,477)
School Administrative Services	5,732,435		894,795		(4,837,640)		(4,837,640)
Plant Operations and Maintenance	6,513,129		96,644		(6,416,485)		(6,416,485)
Pupil Transportation	2,441,456	10,000	103,139		(2,328,317)		(2,328,317)
Business Services	1,796,514		117,767		(1,678,747)		(1,678,747)
Interest on Long-Term Debt and Other Charges	1,633,618	-	-	-	(1,633,618)	-	(1,633,618)
 Total Governmental Activities	 88,975,427	 153,067	 25,544,164	 -	 (63,278,196)	 -	 (63,278,196)
 Business-Type Activities							
Food Service	988,220	788,858	265,290			\$ 65,928	65,928
Extended Day	940,362	1,067,012				126,650	126,650
Athletic Camps	3,189	-	-	-	-	(3,189)	(3,189)
 Total Business-Type Activities	 1,931,771	 1,855,870	 265,290	 -	 -	 189,389	 189,389
 Total Primary Government	 \$ 90,907,198	 \$ 2,008,937	 \$ 25,809,454	 \$ -	 (63,278,196)	 189,389	 (63,088,807)

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

**NUTLEY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Net (Expense) Revenue and Changes in Net Position		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, Carry Forward	\$ (63,278,196)	\$ 189,389	\$ (63,088,807)
General Revenues			
Property Taxes			
General Purposes	53,153,362		53,153,362
Debt Service	2,759,559		2,759,559
State Aid			
Unrestricted	4,454,961		4,454,961
Restricted for Debt Service	724,855		724,855
Miscellaneous Income	400,478	340	400,818
Loss on Disposal of Capital Assets	(52,079)	-	(52,079)
Total General Revenues	61,441,136	340	61,441,476
Change in Net Position	(1,837,060)	189,729	(1,647,331)
Net Position, Beginning of Year (Restated)	7,089,894	1,129,133	8,219,027
Prior Year Adjustment - Capital Assets	(111,794)	-	(111,794)
Net Position, End of Year	\$ 5,141,040	\$ 1,318,862	\$ 6,459,902

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

FUND FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 6,960,583	\$ 144,044	\$ 1,230,901	\$ 2	\$ 8,335,530
Due from Other Funds	10,585				10,585
Receivables, Net					
Receivables from Other Governments	122,157	203,299	12,804		338,260
Other	-	4,514	-	-	4,514
Total Assets	<u>\$ 7,093,325</u>	<u>\$ 351,857</u>	<u>\$ 1,243,705</u>	<u>\$ 2</u>	<u>\$ 8,688,889</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 321,245	\$ 58,938			\$ 380,183
Intergovernmental Payable		73,993			73,993
Due to Other Funds			\$ 10,134		10,134
Unearned Revenue	13,036	218,926	-	-	231,962
Total Liabilities	<u>334,281</u>	<u>351,857</u>	<u>10,134</u>	<u>-</u>	<u>696,272</u>
Fund Balances					
Restricted					
Capital Reserve	3,979,215				3,979,215
Maintenance Reserve	482,795				482,795
Excess Surplus	875,559				875,559
Excess Surplus - Designated for Subsequent Year's Budget	502,638				502,638
Capital Projects			1,233,571		1,233,571
Debt Service				\$ 2	2
Committed					
Encumbrances	273,620				273,620
Assigned					
Encumbrances	199,860				199,860
Unassigned	445,357	-	-	-	445,357
Total Fund Balances	<u>6,759,044</u>	<u>-</u>	<u>1,233,571</u>	<u>2</u>	<u>7,992,617</u>
Total Liabilities and Fund Balances	<u>\$ 7,093,325</u>	<u>\$ 351,857</u>	<u>\$ 1,243,705</u>	<u>\$ 2</u>	

Amounts reported for governmental activities in the statement of net position (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 \$85,745,648 and the accumulated depreciation is \$24,903,584.

60,842,064

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

(664,465)

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 2)

(63,029,176)

\$ 5,141,040

**NUTLEY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 53,153,362			\$ 2,759,559	\$ 55,912,921
Tuition	143,067				143,067
Transportation Fees	10,000				10,000
Miscellaneous	<u>397,042</u>	<u>\$ 69,551</u>	<u>\$ 3,436</u>	<u>-</u>	<u>470,029</u>
Total - Local Sources	<u>53,703,471</u>	<u>69,551</u>	<u>3,436</u>	<u>2,759,559</u>	<u>56,536,017</u>
State Sources	15,256,945	397,231		724,855	16,379,031
Federal Sources	<u>87,564</u>	<u>1,252,084</u>	<u>-</u>	<u>-</u>	<u>1,339,648</u>
Total Revenues	<u>69,047,980</u>	<u>1,718,866</u>	<u>3,436</u>	<u>3,484,414</u>	<u>74,254,696</u>
EXPENDITURES					
Current					
Regular Instruction	30,329,245	605,634			30,934,879
Special Education Instruction	11,681,363	913,918			12,595,281
Other Instruction	1,422,373				1,422,373
School-Sponsored Activities and Athletics	1,496,122				1,496,122
Community Services	7,729				7,729
Support Services					
Student and Instructional Related Services	8,054,977	176,494			8,231,471
General Administrative Services	1,522,821				1,522,821
School Administrative Services	4,781,406				4,781,406
Plant Operations and Maintenance	5,700,202				5,700,202
Pupil Transportation	2,191,583				2,191,583
Business Services	1,567,357				1,567,357
Debt Service					
Principal	27,132			1,940,000	1,967,132
Interest and Other Charges	91,683			1,544,414	1,636,097
Capital Outlay	<u>1,664,637</u>	<u>22,820</u>	<u>525,658</u>	<u>-</u>	<u>2,213,115</u>
Total Expenditures	<u>70,538,630</u>	<u>1,718,866</u>	<u>525,658</u>	<u>3,484,414</u>	<u>76,267,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>(1,490,650)</u>	<u>-</u>	<u>(522,222)</u>	<u>-</u>	<u>(2,012,872)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	3,436		550,000		553,436
Transfers Out	<u>(550,000)</u>	<u>-</u>	<u>(3,436)</u>	<u>-</u>	<u>(553,436)</u>
Total Other Financing Sources (Uses)	<u>(546,564)</u>	<u>-</u>	<u>546,564</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,037,214)	-	24,342	-	(2,012,872)
Fund Balance, Beginning of Year	<u>8,796,258</u>	<u>-</u>	<u>1,209,229</u>	<u>2</u>	<u>10,005,489</u>
Fund Balance, End of Year	<u>\$ 6,759,044</u>	<u>\$ -</u>	<u>\$ 1,233,571</u>	<u>\$ 2</u>	<u>\$ 7,992,617</u>

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

**NUTLEY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ (2,012,872)**

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.

Capital Outlay	\$ 2,213,115	
Depreciation Expense	<u>(1,975,830)</u>	
		237,285
 Loss on Disposal Of Capital Assets		 (52,079)

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		(6,253)
----------------------	--	---------

The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Capital Lease Payments	27,132	
Bond Principal Repayments	<u>1,940,000</u>	
		1,967,132

Issuance of Debt is an Other Financing Source in the Governmental Funds, but the issuance increases long-term liabilities in the statement of net position and is not reported in the statement of activities

Amortization of Premium	305,109	
Amortization of Deferred Amount on Refunding of Debt	<u>(332,508)</u>	
		(27,399)

In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid):

Increase in Pension Expense- Public Employees' Retirement System		(2,001,091)
Decrease in Pension Expense - Essex County		28,339

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		<u>29,878</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (1,837,060)**

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Other Non-Major</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
ASSETS				
Cash and Cash Equivalents	\$ 437,513	\$ 859,442	\$ 590	\$ 1,297,545
Intergovernmental Accounts Receivable				
State	519			519
Federal	14,294			14,294
Other Accounts Receivable	43,681	19,273		62,954
Inventory	3,874	-	-	3,874
	<u>499,881</u>	<u>878,715</u>	<u>590</u>	<u>1,379,186</u>
Total Current Assets				
Capital Assets				
Machinery and Equipment	242,673			242,673
Less: Accumulated Depreciation	(164,979)	-	-	(164,979)
	<u>77,694</u>	<u>-</u>	<u>-</u>	<u>77,694</u>
Total Capital Assets				
Total Assets	<u>577,575</u>	<u>878,715</u>	<u>590</u>	<u>1,456,880</u>
LIABILITIES				
Liabilities				
Accounts Payable	61,250	49		61,299
Unearned Revenue	-	75,578	-	75,578
	<u>61,250</u>	<u>75,627</u>	<u>-</u>	<u>136,877</u>
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Deferred Commodities Revenue	1,141	-	-	1,141
	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>1,141</u>
Total Deferred Inflows of Resources				
Total Liabilities and Deferred Inflows of Resources	<u>62,391</u>	<u>75,627</u>	<u>-</u>	<u>138,018</u>
NET POSITION				
Net Investment in Capital Assets	77,694			77,694
Unrestricted	437,490	803,088	590	1,241,168
	<u>437,490</u>	<u>803,088</u>	<u>590</u>	<u>1,241,168</u>
Total Net Position	<u>\$ 515,184</u>	<u>\$ 803,088</u>	<u>\$ 590</u>	<u>\$ 1,318,862</u>

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

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Other Non-Major</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
OPERATING REVENUES				
Charges for Services				
Program Fees		\$ 1,067,012		\$ 1,067,012
Daily Sales				
Reimbursable Programs	\$ 367,201			367,201
Non-Reimbursable Programs	218,544			218,544
Special Functions	203,113			203,113
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>788,858</u>	<u>1,067,012</u>	<u>-</u>	<u>1,855,870</u>
OPERATING EXPENSES				
Salaries and Wages	306,071	769,763		1,075,834
Employee Benefits	87,379	38,778		126,157
Cost of Sales				
Reimbursable Programs	278,509			278,509
Non-Reimbursable Programs	186,756			186,756
Supplies	7,992	11,190	\$ 3,189	22,371
Purchased Services	65,386	106,290		171,676
Other	43,674	14,341		58,015
Depreciation	12,453	-	-	12,453
Total Operating Expenses	<u>988,220</u>	<u>940,362</u>	<u>3,189</u>	<u>1,931,771</u>
Operating Income (Loss)	<u>(199,362)</u>	<u>126,650</u>	<u>(3,189)</u>	<u>(75,901)</u>
NONOPERATING REVENUES				
State Sources				
State School Lunch Program	7,576			7,576
Federal Sources				
Federal School Lunch Program	209,358			209,358
Food Distribution Program	48,356			48,356
Interest Income	116	224	-	340
Total Nonoperating Revenues	<u>265,406</u>	<u>224</u>	<u>-</u>	<u>265,630</u>
Change in Net Position	66,044	126,874	(3,189)	189,729
Net Position, Beginning of Year	<u>449,140</u>	<u>676,214</u>	<u>\$ 3,779</u>	<u>1,129,133</u>
Net Position, End of Year	<u>\$ 515,184</u>	<u>\$ 803,088</u>	<u>\$ 590</u>	<u>\$ 1,318,862</u>

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

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Food Service</u>	<u>Extended Day</u>	<u>Other Non-Major</u>	<u>Business-Type Activities Enterprise Fund Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 786,935	\$ 1,087,437		\$ 1,874,372
Payments for Employees	(393,450)	(808,541)		(1,201,991)
Payments to Suppliers	(518,047)	(141,668)	\$ (3,189)	(662,904)
Net Cash Provided By (Used For) Operating Activities	(124,562)	137,228	(3,189)	9,477
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
State and Federal Sources	213,498	-	-	213,498
Net Cash Provided By Non-Capital Financing Activities	213,498	-	-	213,498
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	116	224	-	340
Net Cash Provided By Investing Activities	116	224	-	340
Net Change in Cash and Cash Equivalents	89,052	137,452	(3,189)	223,315
Cash and Cash Equivalents, Beginning of Year	348,461	721,990	3,779	1,074,230
Cash and Cash Equivalents, End of Year	\$ 437,513	\$ 859,442	\$ 590	\$ 1,297,545
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (199,362)	\$ 126,650	\$ (3,189)	\$ (75,901)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities				
Depreciation	12,453			12,453
USDA Commodities	48,356			48,356
(Increase) Decrease in Accounts Receivable	(1,923)	7,225		5,302
(Increase) Decrease in Inventories	1,390			1,390
Increase (Decrease) in Accounts Payable	16,466	(9,847)		6,619
Increase/(Decrease) in Deferred Commodities Revenue	(1,942)			(1,942)
Increase (Decrease) in Unearned Revenue	-	13,200	-	13,200
Total Adjustments	74,800	10,578	-	85,378
Net Cash Provided By (Used For) Operating Activities	\$ (124,562)	\$ 137,228	\$ (3,189)	\$ 9,477
Non-Cash Financing Activities				
Fair Value of Food Distribution Program - National School Lunch	\$ 46,414			\$ 46,414

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

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 40,514	\$ 561,288	\$ 562,319
Total Assets	<u>40,514</u>	<u>561,288</u>	<u>\$ 562,319</u>
LIABILITIES			
Intergovernmental Payable		22,633	
Payroll Deductions and Withholdings Payable			\$ 366,468
Due to Other Funds			451
Due to Student Groups	<u>-</u>	<u>-</u>	<u>195,400</u>
Total Liabilities	<u>-</u>	<u>22,633</u>	<u>\$ 562,319</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 40,514</u>	<u>\$ 538,655</u>	

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions		
Employees		\$ 114,301
Investment Earnings		
Interest	\$ 152	4,912
Total Additions	152	119,213
DEDUCTIONS		
Scholarships	30,000	
Unemployment Claims and Contributions	-	91,608
Total Deductions	30,000	91,608
Change in Net Position	(29,848)	27,605
Net Position, Beginning of Year	70,362	511,050
Net Position, End of Year	\$ 40,514	\$ 538,655

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

NOTES TO THE FINANCIAL STATEMENTS

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, extended day 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. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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.

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.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and its food service and extended day enterprise funds to be major funds.

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 to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition 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 capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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

The *athletic camp fund* accounts for the activities of the District's summer athletic camps

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance 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.

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".

Reclassifications

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. 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.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, 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. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents 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.

2. Receivables

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

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 and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. 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 inflows of resources.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition 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 its useful life 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.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	7-10
Computer Equipment	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item, which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation 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. The District's proprietary funds do not permit the accrual of accumulated vacation and sick leave. 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.

7. *Pensions*

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

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 position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts 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 including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3b.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education (See Note 3c).

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Budget - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are 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 inflows of resources. 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 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

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 2015-2016 and 2016-2017 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.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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, the extended day enterprise fund, and the athletic camps 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.

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.” The details are as follows:

Bonds Payable	\$ 40,865,000
Issuance Premium (To Be Amortized Over Life of Debt)	2,894,064
Deferred Amounts on Debt Refundings	(3,131,956)
Capital Leases Payable	97,503
Compensated Absences Payable	1,288,705
Net Pension Liability - Public Employees' Retirement System	28,898,604
Net Pension Liability - Essex County	194,153
Deferred Amounts on Net Pension Liability	
Deferred Outflows - Public Employees' Retirement System	(8,033,390)
Deferred Outflows - Essex County	<u>(43,507)</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 63,029,176</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 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 notes to 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 for review and approval prior to adoption. Districts that have their school board members elected in November do not have to submit their budgets that meet levy cap requirements for voter approval. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot.

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 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$3,548,300. The increase was funded by grant awards, the reappropriation of prior year general fund encumbrances and withdrawals from the capital and maintenance reserves.

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 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). 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 or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$ 4,073,067
Increased by:		
Interest Earnings	\$ 8,373	
Budgeted Increase	100,000	
Budgeted Withdrawal Returned to Capital Reserve	450,000	
Deposits Approved by Board Resolution	<u>500,000</u>	
Total Increases		<u>1,058,373</u>
		5,131,440
Decreased by:		
Withdrawal Approved by Board Resolution	152,225	
Budgeted Withdrawal	<u>1,000,000</u>	
		<u>1,152,225</u>
Balance, June 30, 2017		<u>\$ 3,979,215</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ 791,840
Decreased By:	
Withdrawal Approved by Board Resolution	<u>309,045</u>
Balance, June 30, 2017	<u>\$ 482,795</u>

The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Transfers to Capital Outlay

During the 2016/2017 school year, the district transferred \$461,270 to the non-equipment capital outlay accounts. The transfers were made from the capital reserve and maintenance reserve accounts.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance 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, 2017 is \$1,378,197. Of this amount, \$502,638 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$875,559 will be appropriated in the 2018/2019 original budget certified for taxes.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$10,797,196 and bank and brokerage firm balances of the Board's deposits amounted to \$11,740,794. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 11,740,794</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. As of June 30, 2017 the Board's bank balances were not exposed to custodial credit risk.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

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, 2017, the Board had no outstanding investments.

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

B. Receivables

Receivables as of June 30, 2017 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>Extended Day</u>	<u>Total</u>
Receivables:						
Accounts		\$ 4,514		\$ 43,681	\$ 19,273	\$ 67,468
Intergovernmental						
Federal		200,665		14,294		214,959
State	\$ 103,772	2,634	\$ 12,804	519		119,729
Local	18,385	-	-	-	-	18,385
Gross Receivables	122,157	207,813	12,804	58,494	19,273	420,541
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 122,157</u>	<u>\$ 207,813</u>	<u>\$ 12,804</u>	<u>\$ 58,494</u>	<u>\$ 19,273</u>	<u>\$ 420,541</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
General Fund	
Receipts Collected for 2017/18 Expenditures	\$ 13,036
Special Revenue Fund	
Unencumbered Grant Draw Downs	170,344
Grant Draw Downs Reserved for Encumbrances	<u>48,582</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 231,962</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance <u>July 1, 2016</u>	Prior Period <u>Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 79,932	-	-	-	\$ 79,932
Total Capital Assets, Not Being Depreciated	<u>79,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,932</u>
Capital Assets, Being Depreciated:					
Buildings	78,886,703	\$ (347,298)	\$ 1,994,812		80,534,217
Machinery and Equipment	<u>5,284,634</u>	<u>(43,379)</u>	<u>218,303</u>	<u>\$ (328,059)</u>	<u>5,131,499</u>
Total Capital Assets Being Depreciated	<u>84,171,337</u>	<u>(390,677)</u>	<u>2,213,115</u>	<u>(328,059)</u>	<u>85,665,716</u>
Less Accumulated Depreciation for:					
Buildings	(19,833,413)	278,883	(1,729,492)		(21,284,022)
Machinery and Equipment	<u>(3,649,204)</u>	<u>-</u>	<u>(246,338)</u>	<u>275,980</u>	<u>(3,619,562)</u>
Total Accumulated Depreciation	<u>(23,482,617)</u>	<u>278,883</u>	<u>(1,975,830)</u>	<u>275,980</u>	<u>(24,903,584)</u>
Total Capital Assets, Being Depreciated, net	<u>60,688,720</u>	<u>(111,794)</u>	<u>237,285</u>	<u>(52,079)</u>	<u>60,762,132</u>
Governmental Activities Capital Assets, net	<u>\$ 60,768,652</u>	<u>\$ (111,794)</u>	<u>\$ 237,285</u>	<u>\$ (52,079)</u>	<u>\$ 60,842,064</u>

Prior Period Adjustment

During the 2016/17 school year, the District utilized an independent appraisal company to value the capital assets. A prior period adjustment was recorded to reflect the July 1, 2016 valuations, including accumulated depreciation amounts.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 242,673	-	-	\$ 242,673
Total Capital Assets Being Depreciated	<u>242,673</u>	<u>-</u>	<u>-</u>	<u>242,673</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(152,526)	\$ (12,453)	-	(164,979)
Total Accumulated Depreciation	<u>(152,526)</u>	<u>(12,453)</u>	<u>-</u>	<u>(164,979)</u>
Total Capital Assets, Being Depreciated, net	<u>90,147</u>	<u>(12,453)</u>	<u>-</u>	<u>77,694</u>
Business-Type Activities Capital Assets, net	<u>\$ 90,147</u>	<u>\$ (12,453)</u>	<u>\$ -</u>	<u>\$ 77,694</u>

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

Governmental Activities:

Instruction	
Regular	\$ 378,403
Total Instruction	<u>378,403</u>
Support Services	
Student and Instruction Related Services	677,129
General Administration	567,117
School Administration	1,349
Operations and Maintenance of Plant	300,942
Student Transportation	50,890
Total Support Services	<u>1,597,427</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,975,830</u>
Business-Type Activities:	
Food Service Fund	<u>\$ 12,453</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 12,453</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2017:

<u>Project</u>	<u>Remaining Commitment</u>
Various Renovations and Improvements to Nutley High School and Elementary Schools	\$ <u>107,304</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 10,134
General Fund	Payroll Agency Fund	<u>451</u>
		<u>\$ 10,585</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.

The District expects all interfund balances to be liquidated within one year.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfer Out:			
General Fund		\$ 550,000	\$ 550,000
Capital Projects Fund	\$ 3,436	-	3,436
Total Transfers Out	\$ 3,436	\$ 550,000	\$ 553,436

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

F. Leases

Capital Leases

The District has entered into a five year lease agreement for the acquisition of school buses.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 30,166
2019	30,166
2020	30,164
2021	<u>13,034</u>
Total Minimum Lease Payments	103,530
Less: Amount Representing Interest	<u>(6,027)</u>
Present Value of Minimum Lease Payments	<u>\$ 97,503</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. 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, 2017 are comprised of the following issues:

\$38,500,000, 2007 Bonds, due in an annual installment of \$1,060,000 on July 15, 2017, interest at 4.5%	\$1,060,000
\$10,000,000, 2012 Refunding Bonds, due in annual installments of \$640,000 to \$670,000 through August 15, 2029, interest at 3.0% to 4.0%	8,490,000
\$1,860,000, 2013 Refunding Bonds, due in annual installments of \$180,000 to \$195,000 through August 15, 2023, interest at 2.0% to 3.0%	1,305,000
\$30,445,000, 2015 Refunding Bonds, due in annual installments of \$90,000 to \$3,380,000 through July 15, 2032, interest at 2.0% to 5.0%	<u>30,010,000</u>
Total	<u>\$40,865,000</u>

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

Governmental Activities:

Fiscal Year Ended June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 2,000,000	\$ 1,473,050	\$ 3,473,050
2019	2,070,000	1,400,175	3,470,175
2020	2,140,000	1,326,225	3,466,225
2021	2,205,000	1,257,300	3,462,300
2022	2,280,000	1,188,731	3,468,731
2023-2027	12,380,000	4,687,431	17,067,431
2028-2032	14,410,000	2,135,963	16,545,963
2033	<u>3,380,000</u>	<u>67,600</u>	<u>3,447,600</u>
	<u>\$ 40,865,000</u>	<u>\$ 13,536,475</u>	<u>\$ 54,401,475</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 144,771,418
Less: Net Debt Issued	<u>40,865,000</u>
Remaining Borrowing Power	<u>\$ 103,906,418</u>

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance <u>July 1, 2016</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 42,805,000		\$ 1,940,000	\$ 40,865,000	\$ 2,000,000
Add: Unamortized Premium	<u>3,199,173</u>	<u>-</u>	<u>305,109</u>	<u>2,894,064</u>	<u>-</u>
	46,004,173	-	2,245,109	43,759,064	2,000,000
Capital Leases	124,635		27,132	97,503	27,549
Net Pension Liability - PERS	21,763,777	8,001,660	866,833	28,898,604	
Net Pension Liability - Essex County	184,816	28,303	18,966	194,153	
Compensated Absences Payable	<u>1,282,452</u>	<u>6,253</u>	<u>-</u>	<u>1,288,705</u>	<u>120,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 69,359,853</u>	<u>\$ 8,036,216</u>	<u>\$ 3,158,040</u>	<u>\$ 74,238,029</u>	<u>\$ 2,147,549</u>

For the governmental activities, the liabilities for capital leases, net pension liability and compensated absences are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The District is a member of the Suburban Essex Joint Insurance Fund (SEJIF) and the School Pool for Excess Liability Limits (SPELL). The Funds are risk sharing public entity pools established for the purpose of insuring these events and minimizing the District's exposure should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The relationship between the Board and the insurance funds 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 Funds provide 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.

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>Fiscal Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 114,301	\$ 91,608	\$ 538,655
2016	104,761	88,858	511,050
2015	104,798	76,317	490,058

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.

Federal and State Awards – 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, 2017, 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, 2017, the District has not estimated its arbitrage earnings due to the IRS, if any.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 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 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

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. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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 but are currently suspended as a result of reform legislation.

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. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

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. 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 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. 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. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	PERS	On-Behalf TPAF	DCRP
2017	\$ 866,833	\$ 3,081,677	\$ 9,209
2016	833,527	2,169,660	14,417
2015	792,054	1,442,477	11,134

In addition for fiscal year 2016/2017 the District contributed \$6,711 for PERS and the State contributed \$7,591 for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,086,247 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$28,898,604 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .09757 percent, which was an increase of .00062 percent from its proportionate share measured as of June 30, 2015 of .09695 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,867,924 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 537,426	
Changes of Assumptions	5,986,247	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,101,930	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>407,787</u>	<u>\$ -</u>
Total	<u>\$ 8,033,390</u>	<u>\$ -</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 1,826,304
2019	1,826,304
2020	2,094,308
2021	1,740,184
2022	546,290
Thereafter	<u>-</u>
	<u>\$ 8,033,390</u>

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was 3.98% (measurement date June 30, 2016).

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2034

Municipal Bond Rate * From July 1, 2034
and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 35,411,866</u>	<u>\$ 28,898,604</u>	<u>\$ 23,521,341</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$16,017,427 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$213,178,883. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .27099 percent, which was an increase of .00418 percent from its proportionate share measured as of June 30, 2015 of .26681 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was 3.22 % (measurement date June 30, 2016).

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 254,583,227</u>	<u>\$ 213,178,883</u>	<u>\$ 179,366,893</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Board of Education Employees' Pension Fund of Essex County (ECPF)

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws. The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retirees elected Plan members.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

Benefits Provided

Regular service retirement benefits are determined as $1/45^{\text{th}}$ of the highest 3 year average salary multiplied by the member's years of credited service. A member may elect early retirement benefits if they are under age 60 and have at least 25 years of credited services. The Plan also offers a special veterans benefits, disability and deferred benefits. Group life insurance benefits and death benefits are available to be paid to beneficiaries if elected by the member.

For more complete information about the Plan agreement and vesting and benefit provisions, participants are referred to the pamphlet, *A Summary of Benefits*. Copies of this pamphlet are available from the Pension Fund Administration Office.

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$18,966 for fiscal year 2017.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$194,153 for its proportionate share of the ECPF net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportionate share was 0.53636 percent, which was an increase of .05655 percent from its proportionate share measured as of June 30, 2015 of 0.47981.

For the year ended June 30, 2017, the District recognized in the district wide statement of activities (accrual basis) a pension expense credit of \$9,433 for ECPF. At June 30, 2017, the District reported deferred outflows of resources related to ECPF from the following sources:

**Deferred
Outflows
of Resources**

Net Difference Between Projected and Actual

On Pension Plan Investments

\$ 43,507

At June 30, 2017, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense as follows:

Fiscal Year

Ending

June 30,

Total

2018	\$	8,701
2019		8,701
2020		8,701
2021		8,701
2022		<u>8,703</u>

\$ 43,507

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	4.50%
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	2.00%

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
U.S. Large Cap Equity	50.00%	6.75%
U.S. Small Cap Equity	10.00%	6.75%
U.S. Fixed Income	40.00%	1.75%

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was 6.50% (measurement date June 30, 2016).

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Board of Education Employees' Pension Fund of Essex County (ECPF) (Continued)

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the ECPF net pension liability calculated using the discount rate of 6.50% as well as what the District's proportionate share of the ECPF net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	Decrease (5.5%)	Discount Rate (6.5%)	Increase (7.5%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 243,843</u>	<u>\$ 194,153</u>	<u>\$ 129,215</u>

Pension Plan Fiduciary Net Position

Detailed information about the ECPF pension plan's fiduciary net position is available in the separately issued financial report for the Board of Education Employees' Pension Fund of Essex County.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

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

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$2,567,738, \$2,583,465 and \$2,289,933, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

In July and September 2017, the Board authorized withdrawals from the Maintenance Reserve totaling \$69,815 to fund projects at various schools within the District.

On September 25, 2017, the Board approved a resolution providing for the submission of a Bond Proposal at the Special School Election on December 12, 2017. The proposal will authorize the construction of additions, renovations, alternations and improvements at John H. Walker Middle School, High School, Washington Elementary School and Yantacaw Elementary School. The proposal will appropriate \$70,427,749 and will be funded, in part, by a \$2,400,000 allocation from the Capital Reserve account and school bonds of \$68,027,749.

**NUTLEY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 RESTATEMENT

The Board has obtained the required information from the Board of Education Employees' Pension Fund of Essex County (ECPF) to record the pension liabilities in its financial statements. The Board has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2016 was to recognize the District's proportionate share of the Board of Education Employees' Pension Fund of Essex County (ECPF), net pension liability and deferred outflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$178,986. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2016 from \$7,268,879 as originally reported to \$7,089,894 as adjusted for the effects of the change in accounting principle.

REQUIRED SUPPLEMENTARY INFORMATION PART II

BUDGETARY COMPARISON SCHEDULES

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 53,153,362		\$ 53,153,362	\$ 53,153,362	
Tuition -					
Individuals				62,694	\$ 62,694
Other LEAs Within the State	141,307		141,307	80,373	(60,934)
Transportation Fees from Other LEAs	9,000		9,000	10,000	1,000
Interest on Capital Reserve	990		990	8,373	7,383
Interest					-
Other Restricted Miscellaneous	155,000		155,000	195,668	40,668
Unrestricted Miscellaneous	159,300	-	159,300	193,001	33,701
Total Revenues - Local Sources	53,618,959	-	53,618,959	53,703,471	84,512
State Sources					
Equalization Aid	4,336,516		4,336,516	4,336,516	
Special Education Aid	2,451,565		2,451,565	2,451,565	
Security Aid	81,159		81,159	81,159	
Transportation Aid	104,457		104,457	104,457	
PARCC Readiness Aid	40,380		40,380	40,380	
Per Pupil Growth Aid	40,380		40,380	40,380	
Professional Learning Community Aid	40,640		40,640	40,640	
Extraordinary Aid	150,000		150,000	767,111	617,111
On-Behalf TPAF					
Normal Pension			-	2,973,925	2,973,925
NCGI Contribution			-	107,752	107,752
Long Term Disability Insurance			-	7,591	7,591
Post Retirement Contribution			-	2,567,738	2,567,738
Social Security Contributions - Non Budget	-	-	-	2,086,247	2,086,247
Total State Sources	7,245,097	-	7,245,097	15,605,461	8,360,364
Federal Sources					
FEMA				16,531	16,531
Medicaid Reimbursement	44,283	-	44,283	71,033	26,750
Total Federal Sources	44,283	-	44,283	87,564	43,281
Total Revenues	60,908,339	-	60,908,339	69,396,496	8,488,157
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers:					
Kindergarten	1,201,720	\$ -	1,201,720	1,187,069	14,651
Grades 1 - 5	7,148,158	16,589	7,164,747	7,164,368	379
Grades 6 - 8	4,419,962	(16,589)	4,403,373	4,307,515	95,858
Grades 9 - 12	5,704,897	(40,051)	5,664,846	5,639,380	25,466
Home Instruction:					
Salaries of Teachers	45,800	(7,000)	38,800	17,355	21,445
Purchased Professional-Educational Services	35,000	7,000	42,000	40,357	1,643
Regular Programs - Undistributed Instruction:					
Purchased Technical Services	36,730	34,641	71,371	71,371	-
Other Purchased Services	54,800	-	54,800	46,970	7,830
General Supplies	1,060,141	797,590	1,857,731	1,686,611	171,120
Textbooks	391,984	317,026	709,010	634,438	74,572
Other Objects	11,000	(423)	10,577	5,268	5,309
Total Instruction Regular Programs	20,110,192	1,108,783	21,218,975	20,800,702	418,273
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	1,303,029	41,153	1,344,182	1,344,182	-
Other Salaries for Instruction	693,130	(86,046)	607,084	607,084	-
General Supplies	16,500	(3,770)	12,730	12,730	-
Textbooks	2,500	(2,500)			-
Other Objects	100	-	100	-	100
Total Learning/Language Disabilities	2,015,259	(51,163)	1,964,096	1,963,996	100
Resource Room/Resource Center					
Salaries of Teachers	2,218,706	(45,177)	2,173,529	2,173,529	-
General Supplies	14,000	1,800	15,800	15,095	705
Textbooks	1,800	(1,800)			-
Other Objects	100	-	100	-	100
Total Resource Room/Resource Center	2,234,606	(45,177)	2,189,429	2,188,624	805

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Autism					
Salaries of Teachers	\$ 368,828	\$ 54,000	\$ 422,828	\$ 421,982	\$ 846
Other Salaries for Instruction	533,681	(258,424)	275,257	275,257	-
General Supplies	14,000	(2,500)	11,500	10,864	636
Other Objects	250	-	250	-	250
Total Autism	916,759	(206,924)	709,835	708,103	1,732
Preschool Disabilities - Part-Time					
Salaries of Teachers	130,831	(1,796)	129,035	129,035	-
Other Salaries for Instruction	58,680	24,576	83,256	83,256	-
General Supplies	9,400	-	9,400	8,501	899
Other Objects	100	-	100	-	100
Total Preschool Disabilities - Part-Time	199,011	22,780	221,791	220,792	999
Preschool Disabilities - Full-Time					
Salaries of Teachers	182,345	(7,075)	175,270	175,270	-
Other Salaries for Instruction	192,362	65,932	258,294	258,294	-
Total Preschool Disabilities - Full-Time	374,707	58,857	433,564	433,564	-
Total Special Education	5,740,342	(221,627)	5,518,715	5,515,079	3,636
Basic Skills/Remedial					
Salaries of Teachers	483,480	25,982	509,462	509,462	-
General Supplies	2,400	(1,295)	1,105	1,105	-
Other Objects	100	-	100	-	100
Total Basic Skills/Remedial	485,980	24,687	510,667	510,567	100
Bilingual Education					
Salaries of Teachers	308,480	(1,090)	307,390	307,165	225
General Supplies	4,895	(3,395)	1,500	1,081	419
Textbooks	500	-	500	-	500
Total Bilingual Education	313,875	(4,485)	309,390	308,246	1,144
School Sponsored Co-Curricular Activities					
Salaries of Teachers	219,815	8,001	227,816	227,816	-
Purchased Services		403	403	403	-
Supplies and Materials		60,000	60,000		60,000
Other Objects	5,125	(403)	4,722	4,686	36
Total Co-Curricular Activities	224,940	68,001	292,941	232,905	60,036
School Sponsored Athletics					
Salaries	571,479	(16,351)	555,128	555,128	-
Purchased Services	76,365	9,049	85,414	85,337	77
Supplies and Materials	63,900	1,131	65,031	62,169	2,862
Other Objects	151,495	4,957	156,452	156,350	102
Total Athletics	863,239	(1,214)	862,025	858,984	3,041
Other Instruction Programs - Gifted and Talented					
Salaries	107,500	3,164	110,664	110,664	-
Purchased Services	600	(350)	250	250	-
Supplies and Materials	2,000	(189)	1,811	1,811	-
Other Objects	100	(100)	-	-	-
Total Other Instruction Programs	110,200	2,525	112,725	112,725	-
Other Instruction Programs - Music					
Supplies and Materials	30,000	(21,002)	8,998	8,998	-
Other Objects	3,000	78	3,078	3,078	-
Total Other Instruction Programs	33,000	(20,924)	12,076	12,076	-

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Community Services					
Salaries	\$ 8,000	\$ (799)	\$ 7,201	\$ 5,097	\$ 2,104
Total Community Services	8,000	(799)	7,201	5,097	2,104
Total Instruction	27,889,768	954,947	28,844,715	28,356,381	488,334
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within State - Special	167,500	54,200	221,700	215,369	6,331
Tuition to County Sp Service and Regional Day School	188,700	58,290	246,990	246,990	-
Tuition to Private School for the Disabled W/ State	3,257,000	(136,141)	3,120,859	2,982,005	138,854
Tuition - State Facilities	-	40,973	40,973	40,973	-
Total Tuition	3,613,200	17,322	3,630,522	3,485,337	145,185
Health Services					
Salaries	622,195	-	622,195	612,411	9,784
Purchased Professional and Technical Services	60,975	6,639	67,614	67,614	-
Supplies and Materials	45,000	(6,631)	38,369	26,751	11,618
Other Objects	150	-	150	-	150
Total Health Services	728,320	8	728,328	706,776	21,552
Other Supp. Svcs.-					
Speech, OT, PT and Related Services					
Salaries	642,302	(37,165)	605,137	605,137	-
Purchased Professional Educational Services	265,000	129,952	394,952	394,952	-
Supplies and Materials	6,500	2,411	8,911	8,911	-
Total Speech, OT, PT and Related Services	913,802	95,198	1,009,000	1,009,000	-
Other Supp. Svcs.-Extraord. Serv.					
Salaries	464,252	214,124	678,376	678,376	-
Total Other Support/Extraordinary Services	464,252	214,124	678,376	678,376	-
Other Supp. Svcs.-Guidance					
Salaries of Other Professional Staff	1,097,931	(9,583)	1,088,348	1,087,880	468
Salaries of Secretarial and Clerical Assistants	136,892	10,352	147,244	147,244	-
Other Purchased Professional and Technical Services	14,904	19,412	34,316	34,316	-
Other Purchased Services	4,150	(2,659)	1,491	1,090	401
Supplies and Materials	16,000	3,178	19,178	19,178	-
Other Objects	1,000	(646)	354	195	159
Total Other Support Services-Guidance	1,270,877	20,054	1,290,931	1,289,903	1,028
Other Supp. Svcs.-Child Study Teams					
Salaries of Other Professional Staff	1,150,203	-	1,150,203	1,126,047	24,156
Miscellaneous Purchased Services	2,500	-	2,500	2,259	241
Supplies and Materials	10,900	1,485	12,385	12,304	81
Other Objects	100	-	100	-	100
Total Other Support Services-Child Study Teams	1,163,703	1,485	1,165,188	1,140,610	24,578
Improvement of Instruction					
Salaries of Other Professional Staff	46,750	-	46,750	4,374	42,376
Salaries of Secretarial and Clerical Assist.	118,691	-	118,691	117,032	1,659
Purchased Professional Educational Services	5,000	-	5,000	-	5,000
Other Purchased Professional and Technical Services	2,795	-	2,795	-	2,795
Other Purchased Services	6,970	-	6,970	4,808	2,162
Supplies and Materials	7,500	-	7,500	7,338	162
Other Objects	500	-	500	357	143
Total Improvement of Instruction	188,206	-	188,206	133,909	54,297

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Educational Media Services/ School Library					
Salaries	\$ 640,727	\$ 577	\$ 641,304	\$ 641,304	-
Purchased Professional and Technical Services	19,250	1,831	21,081	20,581	\$ 500
Other Purchased Services	11,710	-	11,710	8,450	3,260
Supplies and Materials	58,456	(5,769)	52,687	37,042	15,645
Other Objects	-	320	320	320	-
Total Educational Media Services/ School Library	730,143	(3,041)	727,102	707,697	19,405
Instructional Staff Training Services					
Salaries of Other Professional Staff	80,000	(24,537)	55,463	7,587	47,876
Purchased Professional Educational Services	20,000	17,787	37,787	37,537	250
Other Purchased Services	32,700	6,903	39,603	35,362	4,241
Supplies and Materials	1,500	97	1,597	1,597	-
Other Objects	250	-	250	140	110
Total Instructional Staff Training Services	134,450	250	134,700	82,223	52,477
Support Services General Administration					
Salaries	635,742	(24,000)	611,742	607,158	4,584
Legal Services	175,000	10,715	185,715	130,337	55,378
Audit Fees	48,500	-	48,500	43,331	5,169
Other Purchased Professional Services	25,000	(25,000)	-	-	-
Purchased Technical Services	146,076	(20,729)	125,347	125,347	-
Miscellaneous Purchased Services	243,268	(35,500)	207,768	205,686	2,082
Communications/Telephone	95,270	1,109	96,379	94,850	1,529
BOE Other Purchased Services	4,900	-	4,900	2,575	2,325
Supplies and Materials	15,300	(2,151)	13,149	11,030	2,119
Judgments Against School District	-	5,000	5,000	5,000	-
Miscellaneous Expenditures	8,000	(530)	7,470	7,470	-
BOE Membership Dues and Fees	27,950	-	27,950	27,614	336
Total Support Services General Administration	1,425,006	(91,086)	1,333,920	1,260,398	73,522
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,234,721	(7,181)	1,227,540	1,227,540	-
Salaries of Other Professional Staff	1,389,771	(13,000)	1,376,771	1,368,595	8,176
Salaries of Secretarial and Clerical Assistants	558,601	-	558,601	551,030	7,571
Other Purchased Services	106,609	(1,623)	104,986	92,159	12,827
Supplies and Materials	58,950	17,446	76,396	72,071	4,325
Other Objects	65,500	2,609	68,109	68,037	72
Total Support Services School Administration	3,414,152	(1,749)	3,412,403	3,379,432	32,971
Central Services					
Salaries	639,311	2,612	641,923	641,923	-
Purchased Professional Services	81,391	180,099	261,490	132,361	129,129
Purchased Technical Services	22,625	1,566	24,191	24,191	-
Miscellaneous Purchased Services	34,350	(6,926)	27,424	27,424	-
Supplies and Materials	12,000	(1,562)	10,438	10,438	-
Miscellaneous Expenditures	750	(355)	395	395	-
Total Undistributed Expenditures - Central Services	790,427	175,434	965,861	836,732	129,129
Admin. Info. Tech.					
Salaries	282,913	13,390	296,303	296,303	-
Purchased Technical Services	7,500	2,000	9,500	9,500	-
Other Purchased Services	800	(311)	489	489	-
Supplies and Materials	36,375	(6,262)	30,113	30,113	-
Other Objects	500	(500)	-	-	-
Total Undistributed Expenditures - Admin. Info. Technology	328,088	8,317	336,405	336,405	-

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Required Maintenance for School Facilities					
Salaries	\$ 459,144	\$ (3,025)	\$ 456,119	\$ 456,119	-
Cleaning, Repair and Maintenance Services	302,433	86,500	388,933	357,653	\$ 31,280
General Supplies	221,600	(19,539)	202,061	196,301	5,760
Other Objects	650	(295)	355	355	-
Total Required Maint for School Facilities	983,827	63,641	1,047,468	1,010,428	37,040
Custodial Services					
Salaries	1,559,503	38,421	1,597,924	1,597,924	-
Salaries of Non-Instructional Aides	280,181	(17,922)	262,259	262,259	-
Purchased Professional and Technical Services	25,000	(15,852)	9,148	9,148	-
Cleaning, Repair and Maintenance Services	132,500	(15,009)	117,491	116,521	970
Rental of Land & Bldg. Oth. Than Lease Purch. Agreement	1,425	9	1,434	1,434	-
Property Insurance	94,179	(1,203)	92,976	92,976	-
Miscellaneous Purchased Services	9,500	(55)	9,445	9,445	-
General Supplies	110,000	(10,578)	99,422	99,035	387
Energy (Natural Gas)	275,000	(75,206)	199,794	199,108	686
Energy (Electricity)	835,000	(4,093)	830,907	736,255	94,652
Energy (Gasoline)	22,200	-	22,200	17,586	4,614
Other Objects	800	550	1,350	1,200	150
Total Custodial Services	3,345,288	(100,938)	3,244,350	3,142,891	101,459
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	253,072	24,521	277,593	277,593	-
Cleaning, Repair, and Maintenance Services	51,850	(13,159)	38,691	38,691	-
General Supplies	23,000	-	23,000	22,221	779
Total Care & Upkeep of Grounds	327,922	11,362	339,284	338,505	779
Undistributed Expenditures - Security					
Salaries	114,023	1,848	115,871	115,871	-
Purchased Professional and Technical Services	12,725	(8,250)	4,475	4,475	-
General Supplies	4,500	21,266	25,766	3,636	22,130
Total Security	131,248	14,864	146,112	123,982	22,130
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Regular	95,902	975	96,877	96,877	-
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	1,018,899	1,435	1,020,334	1,020,334	-
Cleaning, Repair and Maintenance Services	154,500	15,951	170,451	170,451	-
Other Purchased Professional and Technical Services	1,200	74	1,274	1,274	-
Lease Purchase Payments - School Buses	49,329	(19,163)	30,166	30,166	-
Rental Payments - School Buses	21,600	(21,600)	-	-	-
Contract. Serv. - Aid in Lieu Pymts-Charter Sch	-	4,420	4,420	4,420	-
Contr Serv(Oth. Than Bet Home & Sch)-Vend	27,500	(2,920)	24,580	24,580	-
Contr Serv(Special Education)-Vendors	250,800	82,568	333,368	333,368	-
Contr Serv(Special Education)-Joint Agreements	1,000	(600)	400	400	-
Miscellaneous Purch. Services- Transportation	35,206	(2,298)	32,908	32,908	-
General Supplies	89,000	(41,000)	48,000	46,534	1,466
Other Objects	14,000	(649)	13,351	13,351	-
Total Student Transportation Services	1,758,936	17,193	1,776,129	1,774,663	1,466
Unallocated Employee Benefits					
Group Insurance	3,846	-	3,846	-	3,846
Social Security Contributions	790,796	-	790,796	788,372	2,424
Other Retirement Contributions - PERS	907,831	(22,329)	885,502	873,544	11,958
Other Retirement Contributions - Regular (DCRP and ECPF)	9,000	24,398	33,398	31,538	1,860
Workmens Compensation	161,803	(2,069)	159,734	159,734	-
Health Benefits	9,109,421	(99,496)	9,009,925	8,900,757	109,168
Tuition Reimbursements	70,000	-	70,000	22,220	47,780
Other Employee Benefits	469,560	-	469,560	441,281	28,279
Total Unallocated Employee Benefits	11,522,257	(99,496)	11,422,761	11,217,446	205,315
On-Behalf TPAF					
Pension System Contributions-Normal	-	-	-	2,973,925	(2,973,925)
NCCI Premium	-	-	-	107,752	(107,752)
Long Term Disability Insurance	-	-	-	7,591	(7,591)
Post Retirement Benefits	-	-	-	2,567,738	(2,567,738)
Social Security Contributions - Non Budget	-	-	-	2,086,247	(2,086,247)
Total TPAF Pension and Social Security Contributions	-	-	-	7,743,253	(7,743,253)

(Continued)

**NUTLEY BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Total Undistributed Expenditures	\$ 33,234,104	\$ 342,942	\$ 33,577,046	\$ 40,397,966	\$ (6,820,920)
Total Current Expenditures	61,123,872	1,297,889	62,421,761	68,754,347	(6,332,586)
CAPITAL OUTLAY					
Increase in Capital Reserve	100,000		100,000		100,000
Interest Deposit to Capital Reserve	990		990		990
Equipment					
Instruction					
Learning and/or Language Disabilities		3,521	3,521		3,521
School-Sponsored and Other Instructional Program		5,529	5,529	5,529	-
Undistributed Expenditures					
Instruction	10,000	109,855	119,855	88,112	31,743
Admin. Info. Tech		19,294	19,294	19,294	-
Care and Upkeep	10,000	125,874	135,874	122,308	13,566
Required Maintenance		36,645	36,645	12,137	24,508
School Bus	54,607	-	54,607	54,607	-
Total Equipment	175,597	300,718	476,315	301,987	174,328
Facilities Acquisition and Construction Services					
Construction Services		1,064,755	1,064,755	1,064,755	-
Land and Improvements		313,387	313,387	294,062	19,325
Assessment for Debt Service on SDA Funding	88,649	-	88,649	88,649	-
Total Facilities Acquisition and Construction	88,649	1,378,142	1,466,791	1,447,466	19,325
Total Expenditures - Capital Outlay	264,246	1,678,860	1,943,106	1,749,453	193,653
Transfer of Funds to Charter Schools	37,452	-	37,452	34,830	2,622
Total Expenditures - General Fund	61,425,570	2,976,749	64,402,319	70,538,630	(6,136,311)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(517,231)	(2,976,749)	(3,493,980)	(1,142,134)	2,351,846
Other Financing Sources (Uses)					
Proceeds from Capital Lease					-
Transfers In				3,436	3,436
Transfers Out	(1,000,000)	-	(1,000,000)	(550,000)	450,000
Total Other Financing Sources	(1,000,000)	-	(1,000,000)	(546,564)	453,436
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,517,231)	(2,976,749)	(4,493,980)	(1,688,698)	2,805,282
Fund Balance, Beginning of Year	9,886,404	-	9,886,404	9,886,404	-
Fund Balance, End of Year	\$ 8,369,173	\$ (2,976,749)	\$ 5,392,424	\$ 8,197,706	\$ 2,805,282
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 3,979,215	
Maintenance Reserve				482,795	
Excess Surplus				875,559	
Excess Surplus - Designated for Subsequent Year's Budget				502,638	
Committed					
Encumbrances				273,620	
Assigned					
Encumbrances				199,860	
Unassigned				<u>1,884,019</u>	
Fund Balance (Budgetary Basis)				8,197,706	
Reconciliation to Governmental Fund Statements (GAAP)					
2016/2017 State Aid Payments Not Recognized on a GAAP Basis				(1,438,662)	
Fund Balance per Governmental Funds (GAAP Basis)				<u>\$ 6,759,044</u>	

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 447,720	\$ 8,583	\$ 456,303	\$ 385,110	\$ (71,193)
Federal	1,082,089	291,713	1,373,802	1,250,095	(123,707)
Local Sources					
Miscellaneous	-	271,255	271,255	114,406	(156,849)
Total Revenues	<u>1,529,809</u>	<u>571,551</u>	<u>2,101,360</u>	<u>1,749,611</u>	<u>(351,749)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	198,878	42,297	241,175	207,557	33,618
Purchased Professional/Educational Services	655,318	62,115	717,433	671,315	46,118
Tuition	300,493	89,779	390,272	390,272	-
General Supplies	93,873	153,404	247,277	138,156	109,121
Textbooks	35,802	(584)	35,218	31,594	3,624
Other Objects	-	198,708	198,708	68,032	130,676
Total Instruction	<u>1,284,364</u>	<u>545,719</u>	<u>1,830,083</u>	<u>1,506,926</u>	<u>323,157</u>
Support Services					
Salaries of Program Directors	4000	1,028	5,028	5,028	-
Other Salaries		688	688	667	21
Employee Benefits	41,000	10,885	51,885	47,532	4,353
Purchased Professional/Educational Services	176,338	(24,343)	151,995	138,464	13,531
Travel		3,901	3,901	415	3,486
Other Purchased Services	22,707	10,374	33,081	27,430	5,651
Supplies and Materials	1,400	708	2,108	858	1,250
Other Objects	-	1,000	1,000	700	300
Total Support Services	<u>245,445</u>	<u>4,241</u>	<u>249,686</u>	<u>221,094</u>	<u>28,592</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	21,591	21,591	21,591	-
Total Facilities Acquisition	<u>-</u>	<u>21,591</u>	<u>21,591</u>	<u>21,591</u>	<u>-</u>
Total Expenditures	<u>1,529,809</u>	<u>571,551</u>	<u>2,101,360</u>	<u>1,749,611</u>	<u>351,749</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related 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.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual revenues (budgetary basis)	C-1 \$ 69,396,496	C-2 \$ 1,749,611
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, 2016 Encumbrances (net of cancellation)		42,446
Less: June 30, 2017 Encumbrances		(73,191)
State Aid payments recognized for GAAP Statements, not recognized for budgetary purposes.	1,090,146	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(1,438,662)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	B-2 \$ <u>69,047,980</u>	B-2 \$ <u>1,718,866</u>
Uses/Outflows of Resources		
Actual expenditures (budgetary basis)	C-1 \$ 70,538,630	C-2 \$ 1,749,611
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Add: June 30, 2016 Encumbrances		42,446
Less: June 30, 2017 Encumbrances	<u>-</u>	<u>(73,191)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2 \$ <u>70,538,630</u>	B-2 \$ <u>1,718,866</u>

REQUIRED SUPPLEMENTARY INFORMATION PART III

NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.09757%	0.09695%	0.09608%	0.09415%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 28,898,604	\$ 21,763,777	\$ 17,988,448	\$ 17,993,580
District's Covered-Employee Payroll	\$ 6,498,740	\$ 6,571,992	\$ 6,569,878	\$ 6,550,921
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	444.68%	331.16%	273.80%	274.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 866,833	\$ 833,527	\$ 792,054	\$ 709,387
Contributions in Relation to the Contractually Required Contributions	<u>866,833</u>	<u>833,527</u>	<u>792,054</u>	<u>709,387</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	\$ 6,498,740	\$ 6,571,992	\$ 6,569,878	\$ 6,550,921
Contributions as a Percentage of Covered-Employee Payroll	13.34%	12.68%	12.06%	10.83%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
Last Four Fiscal Years ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the District	<u>213,178,883</u>	<u>168,635,838</u>	<u>146,676,355</u>	<u>139,153,451</u>
Total	<u>\$ 213,178,883</u>	<u>\$ 168,635,838</u>	<u>\$ 146,676,355</u>	<u>\$ 139,153,451</u>
District's Covered-Employee Payroll	\$ 27,882,556	\$ 27,968,425	\$ 26,006,174	\$ 26,393,487
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**NUTLEY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

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, 2017

	Nonpublic Textbooks	N.J. Nonpublic Auxiliary				NJ Nonpublic Handicapped			Nonpublic Nursing	Nonpublic Technology	Sub-Total
		Compensatory Education	ESL	Transportation	Home Instruction	Supplemental Instruction	Examination/ Classification	Corrective Speech			
REVENUES											
State Sources	\$ 31,594	\$ 123,272	\$ 822	\$ 22,707	\$ 2,634	\$ 42,147	\$ 53,496	\$ 17,462	\$ 55,080	\$ 15,570	\$ 364,784
Federal Sources	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 31,594</u>	<u>\$ 123,272</u>	<u>\$ 822</u>	<u>\$ 22,707</u>	<u>\$ 2,634</u>	<u>\$ 42,147</u>	<u>\$ 53,496</u>	<u>\$ 17,462</u>	<u>\$ 55,080</u>	<u>\$ 15,570</u>	<u>\$ 364,784</u>
EXPENDITURES											
Instruction:											
Salaries of Teachers											-
Purchased Prof. and Technical Services											-
Purchased Professional Educational Services		\$ 123,272	\$ 822		\$ 2,634	\$ 42,147		\$ 17,462			\$ 186,337
Tuition											-
General Supplies										\$ 15,570	15,570
Textbooks	\$ 31,594										31,594
Other Objects	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>31,594</u>	<u>123,272</u>	<u>822</u>	<u>-</u>	<u>2,634</u>	<u>42,147</u>	<u>-</u>	<u>17,462</u>	<u>-</u>	<u>15,570</u>	<u>233,501</u>
Support Services											
Employee Benefits											-
Purchased Professional Educational Services							\$ 53,496		\$ 55,080		108,576
Other Purchased Services				\$ 22,707							22,707
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,707</u>	<u>-</u>	<u>-</u>	<u>53,496</u>	<u>-</u>	<u>55,080</u>	<u>-</u>	<u>131,283</u>
Facilities Acquisition and Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 31,594</u>	<u>\$ 123,272</u>	<u>\$ 822</u>	<u>\$ 22,707</u>	<u>\$ 2,634</u>	<u>\$ 42,147</u>	<u>\$ 53,496</u>	<u>\$ 17,462</u>	<u>\$ 55,080</u>	<u>\$ 15,570</u>	<u>\$ 364,784</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Title I</u>	<u>Title II A</u>	<u>Title III</u>	<u>Perkins Vocational Education</u>	<u>IDEA B Basic</u>	<u>IDEA B Preschool</u>	<u>Nonpublic Security</u>	<u>Other</u>	<u>Page 1 Subtotal</u>	<u>Total</u>
REVENUES										
State Sources							\$ 20,326		\$ 364,784	\$ 385,110
Federal Sources	\$ 212,176	\$ 77,482	\$ 18,923	\$ 20,343	\$ 880,663	\$ 40,508				1,250,095
Other	-	-	-	-	-	-	-	\$ 114,406	-	114,406
Total Revenues	<u>\$ 212,176</u>	<u>\$ 77,482</u>	<u>\$ 18,923</u>	<u>\$ 20,343</u>	<u>\$ 880,663</u>	<u>\$ 40,508</u>	<u>\$ 20,326</u>	<u>\$ 114,406</u>	<u>\$ 364,784</u>	<u>\$ 1,749,611</u>
EXPENDITURES										
Instruction:										
Salaries of Teachers	\$ 149,311	\$ 45,000	\$ 10,982					\$ 2,264		\$ 207,557
Purchased Professional Educational Services				\$ 1,826	\$ 483,152				\$ 186,337	671,315
Tuition					350,000	\$ 40,272				390,272
General Supplies	26,125		547	8,595	36,647	236	\$ 20,326	30,110	15,570	138,156
Textbooks									31,594	31,594
Other Objects	-	-	-	-	-	-	-	68,032	-	68,032
Total Instruction	<u>175,436</u>	<u>45,000</u>	<u>11,529</u>	<u>10,421</u>	<u>869,799</u>	<u>40,508</u>	<u>20,326</u>	<u>100,406</u>	<u>233,501</u>	<u>1,506,926</u>
Support Services										
Salaries of Program Directors	4,000			1,028						5,028
Other Salaries				667						667
Employee Benefits	31,882	12,474	3,044	132						47,532
Purchased Professional Educational Services		19,593	2,900	7,395					108,576	138,464
Other Purchased Services			1,450		3,273				22,707	27,430
Travel		415								415
Supplies and Materials	858	-	-	-	-	-	-	-	-	858
Other Objects	-	-	-	700	-	-	-	-	-	700
Total Support Services	<u>36,740</u>	<u>32,482</u>	<u>7,394</u>	<u>9,922</u>	<u>3,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,283</u>	<u>221,094</u>
Facilities Acquisition and Construction Services										
Instructional Equipment	-	-	-	-	7,591	-	-	14,000	-	21,591
Total Facilities Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,591</u>	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>21,591</u>
Total Expenditures	<u>\$ 212,176</u>	<u>\$ 77,482</u>	<u>\$ 18,923</u>	<u>\$ 20,343</u>	<u>\$ 880,663</u>	<u>\$ 40,508</u>	<u>\$ 20,326</u>	<u>\$ 114,406</u>	<u>\$ 364,784</u>	<u>\$ 1,749,611</u>

**NUTLEY BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**NUTLEY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Project Description</u>	<u>Appropriation</u>	<u>Additional Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
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	\$ 479,000	\$ 37,769,771	\$ 525,658	\$ 683,571
John Walker Middle School Parking Lot	550,000	-	-	-	550,000
	<u>\$ 39,050,000</u>	<u>\$ 479,000</u>	<u>\$ 37,769,771</u>	<u>\$ 525,658</u>	<u>\$ 1,233,571</u>
Fund Balance, June 30, 2017 (Budgetary Basis and GAAP Basis)					<u>\$ 1,233,571</u>
Recapitulation of Fund Balance					
Restricted for Capital Projects					
Year End Encumbrances					\$ 107,304
Available for Capital Projects					<u>1,126,267</u>
Total Fund Balance - Restricted for Capital Projects					<u>\$ 1,233,571</u>

**NUTLEY BOARD OF EDUCATION
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources

Transfer from Capital Reserve	\$	550,000
Interest on Investments		<u>3,436</u>

Total Revenues and Other Financing Sources		<u>553,436</u>
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Expenditures and Other Financing Uses

Construction Services		525,658
Transfers Out		<u>3,436</u>

Total Expenditures and Other Financing Uses		<u>529,094</u>
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Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources		24,342
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Fund Balance, Beginning of Year		<u>1,209,229</u>
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Fund Balance, End of Year	\$	<u>1,233,571</u>
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**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 8,986,250	\$ 103,042	\$ 9,089,292	\$ 9,059,522
Total Revenues and Other Financing Sources	<u>8,986,250</u>	<u>103,042</u>	<u>9,089,292</u>	<u>9,059,522</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	1,383,083		1,383,083	1,372,104
Legal Fees	21,705		21,705	
Construction Services	7,238,471	126,680	7,365,151	7,641,910
Other Purchased Services	7,106		7,106	45,508
Supplies	1,505		1,505	
Equipment	204,271	-	204,271	-
Total Expenditures and Other Financing Uses	<u>8,856,141</u>	<u>126,680</u>	<u>8,982,821</u>	<u>9,059,522</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 130,109</u>	<u>\$ (23,638)</u>	<u>\$ 106,471</u>	<u>\$ -</u>

Additional Project Information:

Project Number	3310-050-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 8,740,000
Bonds Issued	\$ 8,740,000
Original Authorized Cost	\$ 8,740,000
Change Orders/Revisions	\$ 319,522
Revised Authorized Cost	\$ 9,059,522
Percentage Completion	99%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 5,283,750	(465,555)	\$ 4,818,195	\$ 4,818,195
Total Revenues and Other Financing Sources	5,283,750	(465,555)	4,818,195	4,818,195
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	899,239		899,239	765,610
Legal Fees	8,036		8,036	
Construction Services	3,800,002	1,429	3,801,431	4,012,903
Other Purchased Services	(621)		(621)	39,682
Supplies	1,505		1,505	
Equipment	108,438	-	108,438	-
Total Expenditures and Other Financing Uses	4,816,599	1,429	4,818,028	4,818,195
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 467,151	\$ (466,984)	\$ 167	\$ -

Additional Project Information:

Project Number	3750-050-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 5,530,000
Bonds Issued	\$ 5,530,000
Original Authorized Cost	\$ 5,530,000
Change Orders/Revisions	\$ (711,805)
Revised Authorized Cost	\$ 4,818,195
Percentage Completion	100%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 7,620,382	460,849	\$ 8,081,231	\$ 8,081,232
Total Revenues and Other Financing Sources	<u>7,620,382</u>	<u>460,849</u>	<u>8,081,231</u>	<u>8,081,232</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	1,213,707		1,213,707	1,051,751
Legal Fees	17,149		17,149	
Construction Services	6,109,302	1,429	6,110,731	6,994,918
Other Purchased Services	8,223		8,223	34,563
Supplies	1,505		1,505	
Equipment	154,912	-	154,912	-
Total Expenditures and Other Financing Uses	<u>7,504,798</u>	<u>1,429</u>	<u>7,506,227</u>	<u>8,081,232</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 115,584</u>	<u>\$ 459,420</u>	<u>\$ 575,004</u>	<u>\$ -</u>

Additional Project Information:

Project Number	3750-100-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 7,600,000
Bonds Issued	\$ 7,600,000
Original Authorized Cost	\$ 7,600,000
Change Orders/Revisions	\$ 481,232
Revised Authorized Cost	\$ 8,081,232
Percentage Completion	93%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 6,148,227	(64,991)	\$ 6,083,236	\$ 6,088,005
Total Revenues and Other Financing Sources	6,148,227	(64,991)	6,083,236	6,088,005
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	915,826		915,826	964,363
Legal Fees	8,036		8,036	
Construction Services	5,039,825	1,429	5,041,254	5,083,960
Other Purchased Services	7,635		7,635	39,682
Supplies	1,505		1,505	
Miscellaneous	375		375	
Equipment	108,438	-	108,438	-
Total Expenditures and Other Financing Uses	6,081,640	1,429	6,083,069	6,088,005
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 66,587	\$ (66,420)	\$ 167	\$ -

Additional Project Information:

Project Number	3750-070-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 5,530,000
Bonds Issued	\$ 5,530,000
Original Authorized Cost	\$ 5,530,000
Change Orders/Revisions	\$ 558,005
Revised Authorized Cost	\$ 6,088,005
Percentage Completion	100%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 3,180,865	\$ (135,710)	\$ 3,045,155	\$ 3,182,461
Total Revenues and Other Financing Sources	3,180,865	(135,710)	3,045,155	3,182,461
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	521,752		521,752	471,333
Legal Fees	441		441	
Construction Services	2,451,066	1,429	2,452,495	2,687,671
Other Purchased Services	(915)		(915)	23,457
Supplies	1,505		1,505	
Equipment	69,710	-	69,710	-
Total Expenditures and Other Financing Uses	3,043,559	1,429	3,044,988	3,182,461
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 137,306	\$ (137,139)	\$ 167	\$ -

Additional Project Information:

Project Number	3750-080-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 3,400,000
Bonds Issued	\$ 3,400,000
Original Authorized Cost	\$ 3,400,000
Change Orders/Revisions	\$ (217,539)
Revised Authorized Cost	\$ 3,182,461
Percentage Completion	96%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

**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 THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Bond Proceeds and Transfers	\$ 7,280,526	\$ 102,365	\$ 7,382,891	\$ 7,270,585
U.S. Department of Energy Grant	479,000	-	479,000	479,000
 Total Revenues and Other Financing Sources	 7,759,526	 102,365	 7,861,891	 7,749,585
 Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	1,165,259		1,165,259	1,062,087
Legal Fees	17,149		17,149	
Construction Services	6,111,528	\$ 393,262	6,504,790	6,645,702
Other Purchased Services	16,681		16,681	41,796
Supplies	1,505		1,505	
Equipment	154,912	-	154,912	-
 Total Expenditures and Other Financing Uses	 7,467,034	 393,262	 7,860,296	 7,749,585
 Excess (Deficiency) of Revenues over (under) Expenditures	 \$ 292,492	 \$ (290,897)	 \$ 1,595	 \$ -

Additional Project Information:

Project Number	3750-090-07-1000
Grant Date	N/A
Bonds Authorization Date	July 15, 2007
Bonds Authorized	\$ 7,700,000
Bonds Issued	\$ 7,700,000
Original Authorized Cost	\$ 7,700,000
Federal Services	\$ 479,000
Change Orders/Revisions	\$ (429,415)
Revised Authorized Cost	\$ 7,749,585

Percentage Completion	101%
Original Target Completion Date	September 1, 2009
Revised Target Completion Date	September 1, 2016

NUTLEY BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
PARKING LOT - JOHN WALKER MIDDLE SCHOOL
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenues and Other Financing Sources				
Transfer from Capital Reserve	\$ -	\$ 550,000	\$ 550,000	\$ 550,000
 Total Revenues and Other Financing Sources	 -	 550,000	 550,000	 550,000
 Expenditures and Other Financing Uses				
Purchased Professional and Technical Services				
Legal Fees				
Construction Services	-	-	-	550,000
 Total Expenditures and Other Financing Uses	 -	 -	 -	 550,000
 Excess (Deficiency) of Revenues over (under) Expenditures	 \$ -	 \$ 550,000	 \$ 550,000	 \$ -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bonds Authorization Date	N/A
Original Authorized Cost	\$ 1,000,000
Change Orders/Revisions	\$ (450,000)
Revised Authorized Cost	\$ 550,000

Percentage Completion	0%
Original Target Completion Date	June 30, 2017
Revised Target Completion Date	June 30, 2018

PROPRIETARY FUND

**NUTLEY BOARD OF EDUCATION
PROPRIETARY FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 195,400	\$ 366,919	\$ 562,319
Total Assets	<u>\$ 195,400</u>	<u>\$ 366,919</u>	<u>\$ 562,319</u>
LIABILITIES			
Payroll Deductions and Withholdings Payable		\$ 366,468	\$ 366,468
Due To Other Funds		451	451
Due to Student Groups	<u>\$ 195,400</u>	<u>-</u>	<u>195,400</u>
Total Liabilities	<u>\$ 195,400</u>	<u>\$ 366,919</u>	<u>\$ 562,319</u>

**NUTLEY BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disburse- ments</u>	<u>Balance June 30, 2017</u>
ELEMENTARY SCHOOLS				
Lincoln	\$ 2,673	\$ 10,050	\$ 11,889	\$ 834
Radcliffe	2,321	9,338	9,928	1,731
Spring Garden	11,709	12,411	14,379	9,741
Washington	3,385	15,007	17,078	1,314
Yantacaw	12,609	7,981	7,124	13,466
	<u>32,697</u>	<u>54,787</u>	<u>60,398</u>	<u>27,086</u>
MIDDLE SCHOOL				
John Walker	<u>17,077</u>	<u>27,193</u>	<u>26,247</u>	<u>18,023</u>
HIGH SCHOOL				
Nutley High School	<u>119,442</u>	<u>273,425</u>	<u>242,576</u>	<u>150,291</u>
TOTAL ALL SCHOOLS	<u>\$ 169,216</u>	<u>\$ 355,405</u>	<u>\$ 329,221</u>	<u>\$ 195,400</u>

**NUTLEY BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
Payroll Deductions, Withholdings and Accrued Salaries and Wages	\$ 341,462	\$ 44,379,993	\$ 44,354,987	\$ 366,468
Due To Other Funds	<u>383</u>	<u>33,426</u>	<u>33,358</u>	<u>451</u>
Total	<u>\$ 341,845</u>	<u>\$ 44,413,419</u>	<u>\$ 44,388,345</u>	<u>\$ 366,919</u>

LONG-TERM DEBT

**NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<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, 2016</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2017</u>
Construction of an Addition and Renovation at the Nutley High School and Elementary Schools	7/15/2007	\$ 38,500,000	7/15/17	1,060,000	4.50	% \$ 2,055,000		\$ 995,000	\$ 1,060,000
Series 2012 Refunding Bonds	12/27/2012	\$ 10,000,000	8/15/17	670,000	3.00				
			8/15/18	665,000	3.00				
			8/15/19	655,000	3.00				
			8/15/20	650,000	3.00				
			8/15/21-23	650,000	4.00				
			8/15/24	645,000	4.00				
			8/15/25	660,000	3.50				
			8/15/26	660,000	3.25				
			8/15/27	650,000	3.25				
			8/15/28	645,000	4.00				
			8/15/29	640,000	4.00	9,165,000		675,000	8,490,000
Series 2013 Refunding Bonds	01/03/2013	1,860,000	8/15/17-18	180,000	2.00				
			8/15/19	185,000	2.00				
			8/15/20	190,000	3.00				
			8/15/21	195,000	2.25				
			8/15/22	190,000	2.25				
			8/15/23	185,000	2.25	1,485,000		180,000	1,305,000

NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<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, 2016</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2017</u>
Series 2015 Refunding Bonds	04/08/15	\$ 30,445,000	7/15/17	90,000	2.00 %				
			7/15/18	1,225,000	4.00				
			7/15/19	1,300,000	4.00				
			7/15/20	1,365,000	2.00-4.00				
			7/15/21	1,435,000	2.50-5.00				
			7/15/22	1,500,000	2.50-5.00				
			7/15/23	1,580,000	2.50-5.00				
			7/15/24	1,660,000	2.75-5.00				
			7/15/25	1,960,000	3.00-5.00				
			7/15/26	2,040,000	3.50				
			7/15/27	2,135,000	4.00				
			7/15/28	2,245,000	4.00				
			7/15/29	2,360,000	4.00				
			7/15/30	2,475,000	4.00				
			7/15/31	3,260,000	4.00				
			7/15/32	3,380,000	4.00				
						\$ 30,100,000	-	\$ 90,000	\$ 30,010,000
						\$ 42,805,000	\$ -	\$ 1,940,000	\$ 40,865,000

NUTLEY BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, July 1, 2016</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2017</u>
School Buses (2)	135,761	\$ 64,635		\$ 15,593	\$ 49,042
2017 School Bus	85,000	<u>60,000</u>	<u>\$ -</u>	<u>11,539</u>	<u>48,461</u>
		<u>\$ 124,635</u>	<u>\$ -</u>	<u>\$ 27,132</u>	<u>\$ 97,503</u>

**NUTLEY BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 2,759,559		\$ 2,759,559	\$ 2,759,559	
State Sources					
Debt Service Aid	<u>724,855</u>	<u>-</u>	<u>724,855</u>	<u>724,855</u>	<u>-</u>
Total Revenues	<u>3,484,414</u>	<u>-</u>	<u>3,484,414</u>	<u>3,484,414</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	1,940,000		1,940,000	1,940,000	
Interest	<u>1,544,415</u>	<u>-</u>	<u>1,544,415</u>	<u>1,544,414</u>	<u>\$ 1</u>
Total Expenditures	<u>3,484,415</u>	<u>-</u>	<u>3,484,415</u>	<u>3,484,414</u>	<u>1</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	(1)	-	(1)	-	1
Fund Balance, Beginning of Year	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>
Analysis of Restricted Fund Balance					
Designated for Subsequent Year's Budget				\$ 1	
Available for Debt Service				<u>1</u>	
				<u>\$ 2</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.

NUTLEY BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Restated			
Governmental Activities										
Net Investment In Capital Assets	\$ 14,475,397	\$ 15,636,633	\$ 16,312,379	\$ 17,533,190	\$ 17,943,222	\$ 18,517,662	\$ 18,590,958	\$ 18,540,094	\$ 19,313,537	\$ 20,801,024
Restricted	736,150	126,032	127,084	98,770	124,182	1,175,583	2,676,310	3,492,729	4,864,909	5,012,012
Unrestricted	(3,193,451)	(4,035,534)	(2,608,168)	(2,166,905)	9,923	2,111,252	(15,840,785)	(16,363,514)	(16,909,567)	(20,671,996)
Total Governmental Activities Net Position	<u>\$ 12,018,096</u>	<u>\$ 11,727,131</u>	<u>\$ 13,831,295</u>	<u>\$ 15,465,055</u>	<u>\$ 18,077,327</u>	<u>\$ 21,804,497</u>	<u>\$ 5,426,483</u>	<u>\$ 5,669,309</u>	<u>\$ 7,268,879</u>	<u>\$ 5,141,040</u>
Business-Type Activities										
Net Investment In Capital Assets	\$ 14,775	\$ 13,056	\$ 11,337	\$ 9,844	\$ 8,363	\$ 114,056	\$ 99,715	\$ 98,186	\$ 90,147	\$ 77,694
Unrestricted	298,723	166,709	128,685	79,524	197,161	373,744	587,550	786,662	1,038,986	1,241,168
Total Business-Type Activities Net Position	<u>\$ 313,498</u>	<u>\$ 179,765</u>	<u>\$ 140,022</u>	<u>\$ 89,368</u>	<u>\$ 205,524</u>	<u>\$ 487,800</u>	<u>\$ 687,265</u>	<u>\$ 884,848</u>	<u>\$ 1,129,133</u>	<u>\$ 1,318,862</u>
District-Wide										
Net Investment In Capital Assets	\$ 14,490,172	\$ 15,649,689	\$ 16,323,716	\$ 17,543,034	\$ 17,951,585	\$ 18,631,718	\$ 18,690,673	\$ 18,638,280	\$ 19,403,684	\$ 20,878,718
Restricted	736,150	126,032	127,084	98,770	124,182	1,175,583	2,676,310	3,492,729	4,864,909	5,012,012
Unrestricted	(2,894,728)	(3,868,825)	(2,479,483)	(2,087,381)	207,084	2,484,996	(15,253,235)	(15,576,852)	(15,870,581)	(19,430,828)
Total District Net Position	<u>\$ 12,331,594</u>	<u>\$ 11,906,896</u>	<u>\$ 13,971,317</u>	<u>\$ 15,554,423</u>	<u>\$ 18,282,851</u>	<u>\$ 22,292,297</u>	<u>\$ 6,113,748</u>	<u>\$ 6,554,157</u>	<u>\$ 8,398,012</u>	<u>\$ 6,459,902</u>

NUTLEY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 26,888,106	\$ 26,145,394	\$ 26,623,533	\$ 27,081,240	\$ 26,758,166	\$ 27,419,378	\$ 28,391,303	\$ 33,504,690	\$ 34,587,775	\$ 39,615,017
Special Education	8,294,047	8,975,941	8,850,271	8,725,614	9,528,464	10,429,282	10,727,289	12,894,166	12,965,002	14,753,414
Other Instruction	1,265,638	968,273	1,402,851	1,233,574	1,389,023	1,466,465	1,294,381	1,411,766	1,598,362	1,845,551
School Sponsored Activities And Athletics	1,145,844	1,400,875	1,148,210	1,168,815	1,235,319	1,260,343	1,329,760	1,666,089	1,777,672	1,853,132
Community Services	16,514	7,627	5,567	7,487	11,555	14,010	22,149	14,725	8,178	10,053
Support Services										
Student And Instruction Related Services	6,146,618	6,143,456	6,990,705	6,565,253	6,865,496	7,196,414	7,553,144	8,502,186	9,071,293	10,525,535
General Administration	1,231,115	1,436,551	1,368,301	1,743,098	1,981,393	2,116,336	2,076,679	2,177,346	2,038,030	2,255,573
School Administrative Services	4,065,977	3,784,784	3,970,094	4,213,992	4,013,565	3,971,209	4,072,242	4,639,417	5,013,306	5,732,435
Plant Operations And Maintenance	5,753,722	6,042,339	5,531,637	5,428,247	5,147,653	5,348,366	5,544,444	5,647,257	5,807,656	6,513,129
Pupil Transportation	2,259,307	2,129,792	2,011,330	2,086,203	2,033,798	1,981,555	2,254,536	2,499,702	2,463,922	2,441,456
Business Services	1,403,132	1,400,267	1,480,215	1,500,226	1,267,237	1,245,684	1,330,423	1,436,409	1,650,848	1,796,514
Increase in Deferred Pension Liability		227,063								
Interest On Long-Term Debt	2,378,802	2,433,786	2,337,249	2,281,324	2,241,443	2,402,651	1,895,079	1,843,704	1,678,057	1,633,618
Total Governmental Activities Expenses	60,848,822	61,096,148	61,719,963	62,035,073	62,473,112	64,851,693	66,491,429	76,237,457	78,660,101	88,975,427
Business-Type Activities:										
Food Service	912,017	946,090	861,182	1,110,276	960,177	899,942	918,360	846,273	916,514	988,220
Extended Day	819,850	1,013,512	841,234	613,967	623,930	655,239	690,063	836,125	854,554	940,362
Athletic Camps	17,143	14,384	15,477	17,690	16,836	11,768	15,558	-	-	3,189
Total Business-Type Activities Expense	1,749,010	1,973,986	1,717,893	1,741,933	1,600,943	1,566,949	1,623,981	1,682,398	1,771,068	1,931,771
Total District Expenses	\$ 62,597,832	\$ 63,070,134	\$ 63,437,856	\$ 63,777,006	\$ 64,074,055	\$ 66,418,642	\$ 68,115,410	\$ 77,919,855	\$ 80,431,169	\$ 90,907,198
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 149,591	\$ 149,048	\$ 145,554	\$ 158,071	\$ 130,494	\$ 167,909	\$ 166,386	\$ 242,148	\$ 153,876	\$ 143,067
Pupil Transportation	111,952	77,995	76,215	42,300	53,493	41,220	44,170	44,970	9,100	10,000
Operating Grants And Contributions	10,921,349	8,108,728	10,285,697	8,482,649	8,677,804	10,130,902	9,372,573	16,734,781	19,664,224	25,544,164
Capital Grants And Contributions	613,873	13,595	29,167	65,814	-	567,532				
Total Governmental Activities Program Revenues	11,796,765	8,349,366	10,536,633	8,748,834	8,861,791	10,907,563	9,583,129	17,021,899	19,827,200	25,697,231
Business-Type Activities:										
Charges For Services										
Food Service	650,501	731,200	630,926	736,107	768,611	688,996	785,006	761,257	741,578	788,858
Extended Day	815,868	857,797	789,565	647,590	714,196	818,730	916,906	891,490	1,016,495	1,067,012
Athletic Camps	17,615	14,805	15,485	18,975	19,330	8,825	15,900	1,700		
Operating Grants And Contributions	119,035	136,231	156,667	188,453	214,863	225,396	236,632	230,530	257,066	265,290
Total Business Type Activities Program Revenues	1,603,019	1,740,033	1,592,643	1,591,125	1,717,000	1,741,947	1,954,444	1,884,977	2,015,139	2,121,160
Total District Program Revenues	\$ 13,399,784	\$ 10,089,399	\$ 12,129,276	\$ 10,339,959	\$ 10,578,791	\$ 12,649,510	\$ 11,537,573	\$ 18,906,876	\$ 21,842,339	\$ 27,818,391

NUTLEY BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (49,052,057)	\$ (52,746,782)	\$ (51,183,330)	\$ (53,286,239)	\$ (53,611,321)	\$ (53,944,130)	\$ (56,908,300)	\$ (59,215,558)	\$ (58,832,901)	\$ (63,278,196)
Business-Type Activities	(145,991)	(233,953)	(125,250)	(150,808)	116,057	174,998	330,463	202,579	244,071	189,389
Total District-Wide Net Expense	<u>\$ (49,198,048)</u>	<u>\$ (52,980,735)</u>	<u>\$ (51,308,580)</u>	<u>\$ (53,437,047)</u>	<u>\$ (53,495,264)</u>	<u>\$ (53,769,132)</u>	<u>\$ (56,577,837)</u>	<u>\$ (59,012,979)</u>	<u>\$ (58,588,830)</u>	<u>\$ (63,088,807)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 43,339,146	\$ 46,431,396	\$ 48,149,095	\$ 50,112,604	\$ 51,056,143	\$ 52,016,386	\$ 52,931,802	\$ 53,867,824	\$ 54,765,838	\$ 55,912,921
State Aid Unrestricted	11,020	1,311,714	3,972,780	3,119,283	3,936,364	4,348,256	4,332,821	4,421,065	4,436,197	4,454,961
Restricted Grants And Contributions	3,632,148	4,214,887	975,985	828,388	826,730	824,615	823,700	822,251	821,929	724,855
Investment Earnings	1,337,719	277,389	10,250	-	-	-	-	-	-	-
Miscellaneous Income	164,224	320,431	264,384	210,434	461,504	414,967	435,543	391,327	435,680	400,478
Donated Capital Assets	-	-	-	-	-	-	-	-	-	-
Loss on Disposal of Capital Assets	-	-	-	-	(57,148)	-	-	(22,215)	(27,173)	(52,079)
Transfers	(175,000)	(100,000)	(85,000)	(100,000)	-	-	-	-	-	-
Total Governmental Activities	<u>48,309,257</u>	<u>52,455,817</u>	<u>53,287,494</u>	<u>54,170,709</u>	<u>56,223,593</u>	<u>57,604,224</u>	<u>58,523,866</u>	<u>59,480,252</u>	<u>60,432,471</u>	<u>61,441,136</u>
Business-Type Activities:										
Investment Earnings	\$ 1,099	\$ 220	\$ 507	\$ 154	\$ 99	\$ 104	\$ 122	\$ 140	\$ 214	\$ 340
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	(5,136)	-	-
Transfers	175,000	100,000	85,000	100,000	-	-	-	-	-	-
Total Business-Type Activities	<u>176,099</u>	<u>100,220</u>	<u>85,507</u>	<u>100,154</u>	<u>99</u>	<u>104</u>	<u>122</u>	<u>(4,996)</u>	<u>214</u>	<u>340</u>
Total District-Wide	<u>\$ 48,485,356</u>	<u>\$ 52,556,037</u>	<u>\$ 53,373,001</u>	<u>\$ 54,270,863</u>	<u>\$ 56,223,692</u>	<u>\$ 57,604,328</u>	<u>\$ 58,523,988</u>	<u>\$ 59,475,256</u>	<u>\$ 60,432,685</u>	<u>\$ 61,441,476</u>
Change in Net Position										
Governmental Activities	\$ (742,800)	\$ (290,965)	\$ 2,104,164	\$ 884,470	\$ 2,612,272	\$ 3,660,094	\$ 1,615,566	\$ 264,694	\$ 1,599,570	\$ (1,837,060)
Business-Type Activities	30,108	(133,733)	(39,743)	(50,654)	116,156	175,102	330,585	197,583	244,285	189,729
Total District	<u>\$ (712,692)</u>	<u>\$ (424,698)</u>	<u>\$ 2,064,421</u>	<u>\$ 833,816</u>	<u>\$ 2,728,428</u>	<u>\$ 3,835,196</u>	<u>\$ 1,946,151</u>	<u>\$ 462,277</u>	<u>\$ 1,843,855</u>	<u>\$ (1,647,331)</u>

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 979,517	\$ 181,364	\$ 973,343							
Unreserved	798,154	(251,591)	213,705							
Restricted				\$ 876,583	\$ 2,010,762	\$ 3,563,000	\$ 4,611,520	\$ 5,248,019	\$ 5,884,777	\$ 5,840,207
Committed						768,085	1,017,859	999,913	1,163,964	273,620
Assigned				142,244	346,862	782,558	753,498	405,188	1,351,514	199,860
Unassigned	-	-	-	440,335	349,037	294,743	463,377	394,823	396,003	445,357
Total General Fund	<u>\$ 1,777,671</u>	<u>\$ (70,227)</u>	<u>\$ 1,187,048</u>	<u>\$ 1,459,162</u>	<u>\$ 2,706,661</u>	<u>\$ 5,408,386</u>	<u>\$ 6,846,254</u>	<u>\$ 7,047,943</u>	<u>\$ 8,796,258</u>	<u>\$ 6,759,044</u>
All Other Governmental Funds										
Reserved	\$ 10,187,357	\$ 14,149,281	\$ 11,156,675							
Unreserved	21,439,490	10,770,918	2,969,675							
Restricted	-	-	-	\$ 4,747,642	\$ 2,500,503	\$ 2,793,597	\$ 2,641,984	\$ 1,369,990	\$ 1,209,231	\$ 1,233,573
Total All Other Governmental Funds	<u>\$ 31,626,847</u>	<u>\$ 24,920,199</u>	<u>\$ 14,126,350</u>	<u>\$ 4,747,642</u>	<u>\$ 2,500,503</u>	<u>\$ 2,793,597</u>	<u>\$ 2,641,984</u>	<u>\$ 1,369,990</u>	<u>\$ 1,209,231</u>	<u>\$ 1,233,573</u>

Beginning with 2010/11 Fiscal Year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions." The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 43,339,146	\$ 46,431,396	\$ 48,149,095	\$ 50,112,604	\$ 51,056,143	\$ 52,016,386	\$ 52,931,802	\$ 53,867,824	\$ 54,765,838	\$ 55,912,921
Tuition Charges	149,591	149,048	145,554	158,071	130,494	167,909	166,386	242,148	153,876	143,067
Transportation Fees	111,952	77,995	76,215	42,300	53,493	41,220	44,170	44,970	9,100	10,000
Miscellaneous	1,519,187	673,236	336,983	220,231	515,818	456,955	508,306	413,059	471,012	470,029
State Sources	13,883,304	12,411,474	12,285,868	10,770,909	12,198,392	14,056,089	13,319,923	14,187,967	15,326,113	16,379,031
Federal Sources	1,277,842	1,162,034	2,915,412	1,715,428	1,188,192	1,773,228	1,136,408	1,318,310	1,433,829	1,339,648
Total Revenues	60,281,022	60,905,183	63,909,127	63,019,543	65,142,532	68,511,787	68,106,995	70,074,278	72,159,768	74,254,696
Expenditures										
Instruction										
Regular Instruction	26,535,273	25,689,846	26,397,254	27,042,139	27,111,748	27,368,714	28,154,882	29,014,834	29,057,613	30,934,879
Special Education Instruction	8,250,847	8,917,403	8,827,396	8,734,423	9,597,730	10,444,298	10,719,106	11,863,284	11,742,726	12,595,281
Other Instruction	1,265,638	968,273	1,402,851	1,233,574	1,389,023	1,466,465	1,294,381	1,193,421	1,338,495	1,422,373
School Sponsored Activities And Athletics	1,087,272	1,345,077	1,092,413	1,168,815	1,235,319	1,260,343	1,329,760	1,470,857	1,527,737	1,496,122
Community Services	16,442	7,552	5,492	7,487	11,555	14,010	22,149	12,655	6,813	7,729
Support Services										
Student & Inst. Related Services	6,040,444	6,026,731	6,894,921	6,250,234	6,573,596	6,671,377	7,008,335	7,211,891	7,549,527	8,231,471
General Administration	1,215,791	1,410,723	1,360,877	1,258,021	1,526,592	1,346,143	1,427,271	1,430,737	1,497,630	1,522,821
School Administration	4,021,619	3,720,492	3,969,974	4,218,808	4,115,123	3,988,349	4,058,543	4,366,535	4,474,823	4,781,406
Plant Operations And Maintenance	5,632,810	5,909,053	5,447,737	5,371,825	5,182,274	5,190,641	5,415,913	5,495,831	5,436,951	5,700,202
Pupil Transportation	2,063,100	1,948,256	1,844,421	1,913,148	1,881,001	1,739,700	2,003,893	2,170,794	2,032,271	2,191,583
Other Support Services	1,384,060	1,365,114	1,484,826	1,510,049	1,344,469	1,262,427	1,321,299	1,456,747	1,538,732	1,567,357
Capital Outlay	8,307,853	7,424,175	10,989,910	9,621,939	2,416,195	542,478	243,975	1,748,011	829,680	2,213,115
Debt Service:										
Principal	693,032	1,328,318	1,401,850	1,475,263	1,586,442	1,964,707	1,724,681	1,821,106	2,181,739	1,967,132
Interest And Other Charges	705,413	3,298,716	2,362,646	2,307,851	2,269,127	2,286,927	2,096,552	2,242,733	1,442,475	1,636,097
Total Expenditures	67,219,594	69,359,729	73,482,568	72,113,576	66,240,194	65,546,579	66,820,740	71,499,436	70,657,212	76,267,568
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(6,938,572)	(8,454,546)	(9,573,441)	(9,094,033)	(1,097,662)	2,965,208	1,286,255	(1,425,158)	1,502,556	(2,012,872)
Other Financing Sources (Uses)										
Serial Bonds Issued	38,500,000									
Payments to Escrow Agent						(12,688,407)		(32,947,950)		
Refunding Bond Proceeds						11,860,000		30,445,000		
Capital Leases (Non-Budgeted)	16,765		121,867	87,439	98,022	-		135,761	85,000	
Premium On Bonds						946,633		2,722,042		
Cancellation of State Grant Receivable						(88,615)				
Transfers In	1,314,038	871,526	13,151	17,720	2,837	88,284	1,554	1,483	2,108	553,436
Transfers Out	(1,489,038)	(971,526)	(98,151)	(117,720)	(2,837)	(88,284)	(1,554)	(1,483)	(2,108)	(553,436)
Total Other Financing Sources (Uses)	38,341,765	(100,000)	36,867	(12,561)	98,022	29,611	-	354,853	85,000	-
Net Change In Fund Balances	\$ 31,403,193	\$ (8,554,546)	\$ (9,536,574)	\$ (9,106,594)	\$ (999,640)	\$ 2,994,819	\$ 1,286,255	\$ (1,070,305)	\$ 1,587,556	\$ (2,012,872)
Debt Service As A Percentage Of										
Noncapital Expenditures	2.37%	7.47%	6.02%	6.05%	6.04%	6.54%	5.74%	5.83%	5.19%	4.87%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended June 30	<u>Interest</u>	<u>Tuition</u>	<u>Transportation</u>	<u>Rentals</u>	<u>Admissions</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 97,482	\$ 149,591	\$ 111,952	\$ 19,337	\$ 14,224	\$ 130,663	\$ 523,249
2009	19,136	149,048	77,995	11,776	10,284	298,371	566,610
2010	10,250	145,554	76,215	12,965	14,765	223,503	483,252
2011	4,742	158,071	42,300	66,581	8,724	112,667	393,085
2012	5,979	130,494	53,493	161,626	8,485	282,577	642,654
2013	8,725	167,909	41,220	133,693	9,776	261,221	622,544
2014	9,969	166,386	44,170	161,089	14,796	248,135	644,545
2015	10,160	242,148	44,970	184,488	6,627	188,569	676,962
2016	15,177	153,876	9,100	188,564	10,442	219,389	596,548
2017	38,732	143,067	10,000	195,668	9,553	153,089	550,109

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2008	\$ 29,946,400	\$ 3,336,628,400	\$ 625,622,300	\$ 22,841,600	\$ 156,053,000	\$ 4,171,091,700	\$ 6,432,300	\$ 4,177,524,000	\$ 4,426,428,051	\$ 1.075
2009	28,640,900	3,297,532,600	627,915,900	22,718,200	154,256,000	4,131,063,600	8,295,500	4,139,359,100	4,332,449,559	1.142
2010	26,073,300	2,900,930,800	629,682,000	19,997,000	154,924,400	3,731,607,500	6,781,700	3,738,389,200	4,348,470,726	1.314
2011	25,612,700	2,825,485,200	628,463,200	19,955,100	156,726,800	3,656,243,000	5,941,300	3,662,184,300	4,026,699,339	1.381
2012	24,517,100	2,691,525,000	626,050,300	17,871,800	157,079,300	3,517,043,500	6,245,100	3,523,288,600	3,839,000,008	1.463
2013	24,137,700	2,595,694,900	626,196,900	17,188,700	156,756,200	3,419,974,400	9,206	3,419,983,606	3,736,274,900	1.535
2014	25,436,700	2,595,229,600	537,704,700	14,281,700	157,518,900	3,330,171,600	9,200	3,330,180,800	3,642,872,019	1.564
2015	25,537,800	2,600,236,500	433,136,000	12,845,700	168,110,400	3,239,866,400	9,200	3,239,875,600	3,554,993,213	1.596
2016	25,383,100	2,604,434,300	433,441,600	11,831,600	173,652,900	3,248,743,500		3,248,743,500	3,584,622,642	1.622
2017	30,582,100	2,610,651,100	430,209,400	11,831,600	170,801,200	3,254,075,400		3,254,075,400	3,655,443,047	1.679

Source: County Abstract of Ratables

^a 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)**

<u>Year</u>	<u>School District</u>	<u>Township</u>	<u>County</u>	<u>County Open Space</u>	<u>Total</u>
2008	\$1.075	\$0.795	\$0.398	\$0.016	\$2.284
2009	1.142	0.830	0.395	0.016	2.383
2010	1.314	0.987	0.458	0.018	2.777
2011	1.381	1.040	0.471	0.017	2.909
2012	1.463	1.078	0.491	0.017	3.049
2013	1.535	1.129	0.522	0.017	3.203
2014	1.564	1.153	0.540	0.017	3.274
2015	1.596	1.176	0.527	0.017	3.316
2016	1.622	1.197	0.534	0.017	3.370
2017	1.679	1.190	0.550	0.017	3.473

Source: Township of Nutley, Tax Assessor

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

Taxpayer	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
PB Nutcliff	\$ 98,463,900	3.03%
492 River Road Reckson	22,532,000	0.69%
Public Service Electric & Gas	17,788,600	0.55%
M&M @ E Centre St	17,609,400	0.54%
Village Manor Associates	16,699,000	0.51%
432 Owners Inc.	16,320,000	0.50%
Nutley Properties	15,192,000	0.47%
Nutley Shop-Rite	11,293,600	0.35%
SSEF, LLC	9,543,300	0.29%
Jerc Partners III	8,006,800	0.25%
Total	<u>\$ 233,448,600</u>	<u>7.17%</u>

	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
Hoffman-LaRoche, Inc	\$ 303,318,696	7.26%
492 River Road Reckson	33,000,000	0.79%
432 Owners Inc.	26,035,600	0.62%
Public Service Electric & Gas	18,574,600	0.44%
Nutley Properties	17,899,700	0.43%
Village Manor Associates	17,324,300	0.41%
East Coast Apartments	14,637,800	0.35%
Nutley Shop-Rite	12,458,700	0.33%
NSP Management Co	7,947,500	0.22%
River Road Associates	7,000,000	0.17%
Total	<u>\$ 458,196,896</u>	<u>11.03%</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	
2008	\$ 43,339,146	\$ 43,339,146	100.00%	N/A
2009	46,431,396	46,431,396	100.00%	N/A
2010	48,149,095	48,149,095	100.00%	N/A
2011	50,112,604	50,112,604	100.00%	N/A
2012	51,056,143	51,056,143	100.00%	N/A
2013	52,016,386	52,016,386	100.00%	N/A
2014	52,931,802	52,931,802	100.00%	N/A
2015	53,867,824	53,867,824	100.00%	N/A
2016	54,765,838	54,765,838	100.00%	N/A
2017	55,912,921	55,912,921	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2008	\$ 54,968,000	\$ 65,168	\$ 55,033,168	26,188	\$ 2,101
2009	53,683,000	21,850	53,704,850	26,064	2,060
2010	52,303,000	121,867	52,424,867	26,111	2,008
2011	50,863,000	174,043	51,037,043	28,399	1,797
2012	49,363,000	195,505	49,558,505	28,505	1,739
2013	47,890,000	137,979	48,027,979	28,490	1,686
2014	46,225,000	78,298	46,303,298	28,545	1,622
2015	44,930,000	96,374	45,026,374	28,635	1,572
2016	42,805,000	124,635	42,929,635	28,653	1,498
2017	40,865,000	97,503	40,962,503	28,670	1,429

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2008	\$ 54,968,000		\$ 54,968,000	1.3%	\$ 2,099
2009	53,683,000		53,683,000	1.3%	2,060
2010	52,303,000		52,303,000	1.4%	2,003
2011	50,863,000		50,863,000	1.4%	1,791
2012	49,363,000		49,363,000	1.4%	1,732
2013	47,890,000		47,890,000	1.4%	1,681
2014	46,225,000		46,225,000	1.4%	1,619
2015	44,930,000		44,930,000	1.4%	1,569
2016	42,805,000		42,805,000	1.3%	1,494
2017	40,865,000		40,865,000	1.3%	1,425

Source: District records

**NUTLEY BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2017
(Unaudited)**

Net Direct Debt of School District as of June 30, 2017		\$ 40,865,000
Net Overlapping Debt of School District		
Township of Nutley	\$ 14,713,847	
Essex County	18,233,201	
Essex County Utilities Authority (A)	2,173,885	
Passaic Valley Sewerage Commission (B)	8,469,560	
North Jersey District Water Supply Commission (B)	<u>279,901</u>	
		<u>43,870,394</u>
Total Direct and Overlapping Debt as of June 30, 2017		<u>\$ 84,735,394</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2017 equalized value by the total 2017 equalized value for Essex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Township of Nutley 2016 Annual Debt Statement
- (2) Essex County 2016 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 MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 166,956,137	\$ 172,705,021	\$ 173,514,287	\$ 169,927,836	\$ 164,911,330	\$ 158,545,501	\$ 153,352,090	\$ 148,988,680	\$ 145,714,626	\$ 144,771,418
Total Net Debt Applicable To Limit	54,968,987	53,683,987	52,303,987	50,863,987	49,363,087	47,890,604	46,225,000	44,930,000	42,805,000	40,865,000
Legal Debt Margin	<u>\$ 111,987,150</u>	<u>\$ 119,021,034</u>	<u>\$ 121,210,300</u>	<u>\$ 119,063,849</u>	<u>\$ 115,548,243</u>	<u>\$ 110,654,897</u>	<u>\$ 107,127,090</u>	<u>\$ 104,058,680</u>	<u>\$ 102,909,626</u>	<u>\$ 103,906,418</u>
Total net debt applicable to the limit as a percentage of debt limit	32.92%	31.08%	30.14%	29.93%	29.93%	30.21%	30.14%	30.16%	29.38%	28.23%

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis

2016	\$ 3,649,453,494
2015	3,574,827,761
2014	<u>3,633,575,123</u>
	<u>\$ 10,857,856,378</u>

Average Equalized Valuation of Taxable Property \$ 3,619,285,459

Debt Limit (4 % of Average Equalization Value) \$ 144,771,418

Total Net Debt Applicable to Limit 40,865,000

Legal Debt Margin \$ 103,906,418

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>
2008	26,188	\$ 50,977	4.7%
2009	26,064	52,603	8.1%
2010	26,111	51,448	9.0%
2011	28,399	51,870	8.5%
2012	28,505	54,342	8.2%
2013	28,490	54,833	7.1%
2014	28,545	55,386	6.0%
2015	28,635	57,674	5.1%
2016	28,653	60,030	4.5%
2017	28,670	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)**

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	303	303	271	271	257	257	225	231	240	240
Special Education	40	40	43	43	50	50	52	56	57	66
Support Services										
Student and Instruction Related Services	62	62	85	86	107	107	147	141	161	140
General Administration	3	3	3	3	3	3	5	5	5	5
School Administrative Services	10	11	10	10	10	10	10	10	10	10
Other Administrative Services	11	11	7	7	9	9	11	12	12	12
Central Services	19	19	13	13	11	11	9	8	8	10
Administrative Information Technology	4	4	4	4	4	4	4	4	4	4
Plant Operations and Maintenance	42	42	42	40	40	40	38	37	39	41
Pupil Transportation	31	32	32	31	31	31	31	31	31	31
Other Support Services	69	69	66	58	23	23	23	23	23	24
Food Service	12	12	11	11	-	-				
Total	<u>606</u>	<u>606</u>	<u>587</u>	<u>577</u>	<u>545</u>	<u>545</u>	<u>555</u>	<u>558</u>	<u>590</u>	<u>583</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment	Teacher/Pupil Ratio				Teaching Staff ^b	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
		Operating Expenditures (A)	Cost Per Pupil	Percentage Change									
2008	4,082	\$ 57,513,296	\$ 14,089	8.36%		406.0	8	10	11	4,015	3,814	-1.23%	94.99%
2009	4,091	57,308,520	14,008	-0.58%		407.0	8	10	10	4,046	3,846	0.77%	95.06%
2010	4,080	58,728,162	14,394	2.75%		396.0	10	12	12	4,036	3,841	-0.25%	95.17%
2011	3,946	58,708,523	14,878	3.36%		358.0	11	12	14	3,903	3,710	-3.30%	95.06%
2012	3,980	59,968,430	15,067	1.27%		336.4	12	13	15	3,962	3,762	1.51%	94.95%
2013	4,045	60,752,467	15,019	-0.32%		308.9	13	14	17	4,036	3,832	1.87%	94.95%
2014	4,015	62,755,532	15,630	4.07%		311.4	15	15	15	4,020	3,820	-0.40%	95.02%
2015	4,003	65,687,586	16,410	4.99%		305.0	13	13	15	4,005	3,807	-0.37%	95.06%
2016	4,038	65,687,586	16,267	-0.87%		334.0	14	13	15	4,026	3,826	0.52%	95.03%
2017	4,076	70,451,224	17,284	6.25%		319.0	12	13	14	4,075	3,856	1.22%	94.63%

Sources: District records

(A) Excludes Debt Service and Capital Outlay Expenditures

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Nutley High School</u>										
Square Feet	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00	192,260.00
Capacity (students)	909.62	909.62	909.62	906.62	906.62	909.62	909.62	909.62	909.62	909.62
Enrollment	1,338.50	1,276.00	1,296.00	1,296.00	1,296.00	1,283.00	1,246.00	1,242.00	1,244.00	1,230.00
<u>John H. Walker Middle School</u>										
Square Feet	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00	128,036.00
Capacity (students)	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99
Enrollment *	638.00	674.00	642.00	642.00	642.00	647.00	637.00	618.00	612.00	637.00
<u>Radcliffe Elementary School</u>										
Square Feet	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00	45,305.00
Capacity (students)	412.69	412.69	412.69	412.69	412.69	412.69	412.69	412.69	412.69	412.69
Enrollment	346.00	345.00	372.00	372.00	372.00	336.00	342.00	338.00	326.00	330.00
<u>Yantacaw Elementary School</u>										
Square Feet	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00	49,512.00
Capacity (students)	439.76	439.76	439.76	439.76	439.76	439.76	439.76	439.76	439.76	439.76
Enrollment	476.00	487.00	469.00	469.00	469.00	491.00	470.00	487.00	461.00	481.00
<u>Washington Elementary School</u>										
Square Feet	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00	49,067.00
Capacity (students)	351.65	351.65	351.65	351.65	351.65	351.65	351.65	351.65	351.65	351.65
Enrollment	363.00	377.00	394.00	394.00	394.00	423.00	453.00	483.00	546.00	561.00
<u>Spring Garden Elementary School</u>										
Square Feet	43,955.00	43,955.00	43,955.00	43,955.00	43,955.00	51,155.00	51,155.00	51,155.00	51,155.00	51,155.00
Capacity (students)	378.62	378.62	378.62	378.62	378.62	378.62	378.62	378.62	378.62	378.62
Enrollment	380.00	397.00	381.00	381.00	381.00	384.00	356.00	351.00	359.00	366.00
<u>Lincoln Elementary School</u>										
Square Feet	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00	56,342.00
Capacity (students)	462.62	462.62	462.62	462.62	462.62	462.62	462.62	462.62	462.62	462.62
Enrollment	497.00	473.00	495.00	495.00	495.00	482.00	511.00	484.00	490.00	471.00
<u>Other</u>										
Maintenance Warehouse										
Square Feet	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00	5,386.00
Demuro Park Field House										
Square Feet	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00	4,848.00
Oval Refreshment Stand										
Square Feet	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00	1,309.00
Storage Shed										
Square Feet	912.00	912.00	912.00	912.00	912.00	912.00	912.00	912.00	912.00	912.00
Number of Schools at June 30, 2017										
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 TEN YEARS
(Unaudited)

<u>School</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Nutley High School	\$ 267,526	\$ 321,106	\$ 250,152	\$ 261,637	\$ 239,747	\$ 263,863	\$ 279,224	\$ 277,532	\$ 274,644	\$ 293,700
Franklin Middle School	196,710	190,734	202,379	165,035	151,226	195,781	157,652	167,526	164,414	156,293
Lincoln Elementary School	62,993	80,561	67,766	83,263	76,296	70,451	65,199	85,767	68,938	83,988
Radcliffe Elementary School	63,389	70,247	58,309	74,111	67,910	84,036	85,308	108,058	133,787	90,723
Spring Garden Elementary School	52,385	65,985	54,025	69,175	63,387	72,135	61,936	75,250	89,235	128,955
Washington Elementary School	65,176	77,750	64,824	98,554	90,308	97,322	118,943	87,238	78,377	175,288
Yantacaw Elementary School	57,382	74,153	58,396	63,486	58,174	80,635	78,540	66,747	91,361	81,481
Grand Total	<u>\$ 765,561</u>	<u>\$ 880,536</u>	<u>\$ 755,851</u>	<u>\$ 815,261</u>	<u>\$ 747,048</u>	<u>\$ 864,223</u>	<u>\$ 846,802</u>	<u>\$ 868,118</u>	<u>\$ 900,756</u>	<u>\$ 1,010,428</u>

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2017
(Unaudited)**

	<u>Insurance Company</u>	<u>Coverage</u>	<u>Deductible</u>
All Real and Personal Property and Theft of Contents	Suburban Essex JIF Multiple Carriers - Shared Layers	\$ 250,000 149,749,500	\$ 500 250,000
Money and Security Loss	Suburban Essex JIF Selective Insurance Company of America	250,000 249,500	500 250,000
General Liability (BI and PD)	Suburban Essex JIF Selective Insurance Company of America	250,000 9,750,000	N/A 250,000
Automobile Liability	Suburban Essex JIF Selective Insurance Company of America	250,000 9,750,000	N/A 250,000
School Board Legal Liability	Suburban Essex JIF Selective Insurance Company of America	100,000 9,900,000	N/A 100,000
Excess Liability (GL / AL / SBLL)	General Reinsurance Corporation	5,000,000	N/A
Athletic Accident Insurance	Monumental Life Insurance Company	5,000,000	N/A
Interscholastic Sports Disability	Monumental Life Insurance Company	550,000	N/A
Voluntary Student Coverage - Excluding Athletes	Monumental Life Insurance Company	500,000	N/A
Worker's Compensation	Suburban Essex JIF Selective Insurance Company of America	250,000 Statutory Cov A 9,750,000 Cov B	N/A 250,000 250,000
Public Official Bonds Joanne Wilson Karen A. Yeamans	Selective RLI Insurance Company	325,000 3,000	N/A N/A

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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, 2017 and the related notes to the financial statements, which collectively comprise the Nutley Board of Education's basic financial statements and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nutley Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Nutley Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nutley Board of Education's internal control.

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

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


Compliance and Other Matters


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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Nutley Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 20, 2017.

Purpose of this Report

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


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Nutley Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Nutley Board of Education's major federal and state programs for the fiscal year ended June 30, 2017. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nutley Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Nutley Board of Education's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Nutley Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Nutley Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nutley Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08, 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 Nutley Board of Education's internal control over compliance.

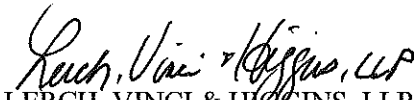
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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


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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

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, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 20, 2017

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance July 1, 2016			Carryover	Cash Received	Budgetary Expenditures	Adjustment	Prior Year Adjustments	Balance June 30, 2017			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue	Due to Grantor						(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education																
Passed Through State Department of Education																
General Fund																
Medicaid Reimbursement	93.778	1705NJSMAP	7/1/16-6/30/17	\$ 42,959					\$ 42,959	\$ 42,959						
Medicaid Administrative Cost Reimbursement	93.778	1705NJSMAP	7/1/16-6/30/17	7,144					7,144	7,144						
Medicaid Cost Settlement	93.778	N/A	7/1/13-6/30/14	14,465					14,465	14,465						
Medicaid Assistance Program	93.778	1605NJSMAP	7/1/15-6/30/16	60,451	-	-	-	-	6,465	6,465	-	-	-	-	-	-
Total - Medicaid Assistance					-	-	-	-	71,033	71,033	-	-	-	-	-	-
FEMA - Jonas	97.036	N/A	7/1/15-6/30/16	16,531	-	-	-	-	16,531	16,531	-	-	-	-	-	-
Total - General Fund					-	-	-	-	87,564	87,564	-	-	-	-	-	-
Special Revenue Fund:																
Title I	84.010	S010A160030	7/1/16-6/30/17	248,620				\$ 37,277	151,606	212,176	\$ (37,277)		\$ (134,291)	\$ 73,721		\$ (58,981)
Title I	84.010	S010A150030	7/1/15-6/30/16	248,515	\$ (136,781)	\$ 95,401	-	(37,277)	41,380	-	37,277	-	-	-	-	-
Total Title I					(136,781)	95,401	-	-	192,986	212,176	-	-	(134,291)	73,721	-	(58,981)
Title III	84.365	S365A160030	7/1/16-6/30/17	29,273				3,862	14,871	18,923	(3,862)		(18,264)	14,212		(4,052)
Title III	84.365	S365A150030	7/1/15-6/30/16	20,957	(17,703)	5,771	-	(3,862)	11,932	-	3,862	\$ 166	-	-	\$ 166	-
Total Title III					(17,703)	5,771	-	-	26,803	18,923	-	166	(18,264)	14,212	166	(4,052)
IDEA Part B	84.027	H027S160100	7/1/16-6/30/17	892,302				15,644	801,379	880,663	(15,644)		(106,567)	27,283		(72,931)
IDEA Part B	84.027	H027A150100	7/1/15-6/30/16	923,429	(263,832)	15,113		(15,644)	248,188		15,644	531				
IDEA Part B Preschool	84.173	H173A160114	7/1/16-6/30/17	40,272				236	8,000	40,508	(236)		(32,508)	-		(32,508)
IDEA Part B Preschool	84.173	H173A150114	7/1/15-6/30/16	39,753	(236)	236	-	(236)	-	-	236	-	-	-	-	-
Total IDEA					(264,068)	15,349	-	-	1,057,567	921,171	-	531	(139,075)	27,283	-	(105,439)
Carl D. Perkins- Secondary	84.048	V048A160030	7/1/16-6/30/17	20,565					9,458	20,343			(11,107)	222		(10,885)
Carl D. Perkins- Secondary	84.048	V048A150030	7/1/15-6/30/16	17,698	(1,656)	316	-	-	1,340	-	-	-	-	-	-	-
Total Carl D. Perkins					(1,656)	316	-	-	10,798	20,343	-	-	(11,107)	222	-	(10,885)
Title II	84.367	S367A160029	7/1/16-6/30/17	77,648				6,121	56,174	77,482	(6,121)		(27,595)	6,287		(21,308)
Title II	84.367	S367A150029	7/1/15-6/30/16	82,704	(37,182)	7,400	-	(6,121)	29,782	-	6,121	-	-	-	-	-
Total Title II					(37,182)	7,400	-	-	85,956	77,482	-	-	(27,595)	6,287	-	(21,308)
Total Special Revenue Fund					(457,390)	124,237	-	-	1,374,110	1,250,095	-	697	(330,332)	121,725	166	(200,665)
U.S.D.A. Department of Agriculture																
Passed Through State Department of Education																
Enterprise Fund:																
National School Lunch Program	10.555															
Non-Cash Assistance (Food Distribution)		16161NJ304N1099	9/1/15-6/30/16	50,800		3,083				3,083						
Non-Cash Assistance (Food Distribution)		171NJ304N1099	9/1/16-6/30/17	46,414					46,414	45,273				1,141		
Cash Assistance		16161NJ304N1099	9/1/15-6/30/16	198,680	(10,998)				10,998							-
Cash Assistance		171NJ304N1099	9/1/16-6/30/17	209,358	-	-	-	-	195,064	209,358	-	-	(14,294)	-	-	(14,294)
Total Enterprise Fund - National School Lunch Program					(10,998)	3,083	-	-	252,476	257,714	-	-	(14,294)	1,141	-	(14,294)
Total Federal Financial Awards					\$ (468,388)	\$ 127,320	\$ -	\$ -	\$ 1,714,150	\$ 1,595,373	\$ -	\$ 697	\$ (344,626)	\$ 122,866	\$ 166	\$ (214,959)

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Department of Education	Grant or State Project Number	Grant	Award Amount	Balance July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance June 30, 2017			Memorandum	
									(Accts. Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
General Fund:													
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 4,336,516			\$ 3,926,065	\$ 4,336,516		\$ (410,451)			*	\$ 4,336,516
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	4,348,391	\$ (411,346)		411,346						*	
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	2,451,565			2,219,524	2,451,565		(232,041)			*	2,451,565
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	2,412,726	(228,237)		228,237						*	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	81,159			73,477	81,159		(7,682)			*	81,159
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	70,151	(6,636)		6,636						*	
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	40,380			36,558	40,380		(3,822)			*	40,380
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	40,380	(3,820)		3,820						*	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	40,380			36,558	40,380		(3,822)			*	40,380
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	40,380	(3,820)		3,820						*	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	40,640			36,794	40,640		(3,846)	-	-	*	40,640
Total State Aid Public				(653,859)	-	6,982,835	6,990,640	-	(661,664)	-	-	*	6,990,640
TPAF Pension Contribution - NCGI	17-495-034-5094-004	7/1/16-6/30/17	107,752			107,752	107,752					*	107,752
TPAF Pension Contribution - Normal	17-495-034-5094-002	7/1/16-6/30/17	2,973,925			2,973,925	2,973,925					*	2,973,925
TPAF Pension Contribution - LTD1	17-495-034-5094-004	7/1/16-6/30/17	7,591			7,591	7,591					*	7,591
TPAF Pension Contribution- Post Retirement	17-495-034-5094-001	7/1/16-6/30/17	2,567,738	-	-	2,567,738	2,567,738	-	-	-	-	*	2,567,738
Total On-Behalf TPAF Pension				-	-	5,657,006	5,657,006	-	-	-	-	*	5,657,006
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	104,457			94,570	104,457		(9,887)			*	104,457
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	90,584	(8,569)		8,569						*	
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	767,111				767,111		(767,111)			*	767,111
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	427,718	(427,718)		427,718						*	
TPAF Social Security Contribution	17-495-034-5094-003	7/1/16-6/30/17	2,086,247			1,982,475	2,086,247		(103,772)			*	2,086,247
TPAF Social Security Contribution	16-495-034-5094-003	7/1/15-6/30/16	2,009,942	(100,218)	-	100,218	-	-	-	-	-	*	-
Total General Fund				(1,190,364)	-	15,253,391	15,605,461	-	(1,542,434)	-	-	*	15,605,461
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbooks	16-100-034-5120-064	7/1/15-6/30/16	35,802	1,202				\$ 1,202				*	
Textbooks	17-100-034-5120-064	7/1/16-6/30/17	35,218			35,218	31,594			\$ 3,624		*	31,594
Auxiliary Services													
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	111,253	596				596				*	
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	146,015			146,015	123,272			22,743		*	123,272
English as a Second Language	16-100-034-5120-067	7/1/15-6/30/16	4,314	1,208				1,208				*	
English as a Second Language	17-100-034-5120-067	7/1/16-6/30/17	2,741			2,741	822			1,919		*	822
Transportation	17-100-034-5120-067	7/1/16-6/30/17	22,707			22,707	22,707					*	22,707
Home Instruction	16-100-034-5120-067	7/1/15-6/30/16	1,965	(1,965)		1,965						*	
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	2,634		-	-	2,634	-	(2,634)	-	-	*	2,634
				(161)	-	173,428	149,435	1,804	(2,634)	-	24,662	*	149,435
Handicapped Services													
Supplemental Instruction	16-100-034-5120-066	7/1/15-6/30/16	31,039	968				968				*	
Supplemental Instruction	17-100-034-5120-066	7/1/16-6/30/17	52,575			52,575	42,147			10,428		*	42,147
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	50,261	5,096				5,096				*	
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	69,859			69,859	53,496			16,363		*	53,496
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	28,426	11,372				11,372				*	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	25,622		-	25,622	17,462	-	-	8,160	-	*	17,462
				17,436	-	148,056	113,105	17,436	-	-	34,951	*	113,105
Nonpublic Security Aid	16-100-034-5120-509	7/1/15-6/30/16	15,725	108				108				*	
Nonpublic Security Aid	17-100-034-5120-509	7/1/16-6/30/17	30,600			30,600	20,326			10,274		*	20,326
Nonpublic Nursing	17-100-034-5120-070	7/1/16-6/30/17	55,080			55,080	55,080					*	55,080
Nonpublic Technology Initiative	16-100-034-5120-373	7/1/15-6/30/16	16,302	253				253				*	
Nonpublic Technology Initiative	17-100-034-5120-373	7/1/16-6/30/17	15,886	-	-	15,886	15,570	-	-	316	-	*	15,570
Total Special Revenue Fund				18,838	-	458,268	385,110	20,803	(2,634)	-	73,827	*	385,110

NUTLEY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

									Balance June 30, 2017			Memorandum	
	Grant or State Project Number	Grant	Award Amount	Balance July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	(Accts. Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
State Department of Education													
Capital Projects Fund													
Educational Facilities													
Construction and Financing Act	3750-050-03-1027	7/1/03-6/30/07	\$ 10,718,686	\$ (480,195)	-	\$ 467,391	-	-	\$ (12,804)	-	-	\$ (12,804)	-
Debt Service Fund:													
Debt Service Aid	17-495-034-5120-075	7/1/16-6/30/17	724,855	-	-	724,855	\$ 724,855	-	-	-	-	-	\$ 724,855
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	7,143	(379)	-	379	-	-	-	-	-	-	-
National School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	7,576	-	-	7,057	7,576	-	(519)	-	-	(519)	7,576
				(379)	-	7,436	7,576	-	(519)	-	-	(519)	7,576
Total State Financial Assistance Subject to Single Audit Determination				\$ (1,652,100)	\$ -	16,911,341	16,723,002	\$ 20,803	\$ (1,558,391)	\$ -	\$ 73,827	\$ (119,729)	\$ 16,723,002
Less On-Behalf TPAF Pension and Annuity Aid													
NCGI - Contribution						107,752	107,752						107,752
Normal Pension						2,973,925	2,973,925						2,973,925
LTDI						7,591	7,591						7,591
Post Retirement Medical						-	2,567,738	-	-	-	-	-	2,567,738
Subject to Single Audit						-	5,657,006	-	-	-	-	-	5,657,006
Total for State Financial Assistance Subject to Major Program Determination				\$ (1,652,100)	\$ -	\$ 11,254,335	\$ 11,065,996	\$ 20,803	\$ (1,558,391)	\$ -	\$ 73,827	\$ (119,729)	\$ 11,065,996

**NUTLEY BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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 prepared and 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 basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The 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 delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent 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 delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$348,516 for the general fund and a decrease of \$30,745 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 87,564	\$ 15,256,945	\$ 15,344,509
Special Revenue Fund	1,252,084	397,231	1,649,315
Debt Service Fund		724,855	724,855
Food Service Fund	<u>257,714</u>	<u>7,576</u>	<u>265,290</u>
Total Financial Assistance	<u>\$ 1,597,362</u>	<u>\$ 16,386,607</u>	<u>\$ 17,983,969</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, 2017**

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 INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$2,086,247 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$3,081,677, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,567,738 and TPAF Long-Term Disability Insurance in the amount of \$7,591 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR200 Section .516(a) of Uniform Guidance? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>S010A160030</u>	<u>Title I</u>
<u>10.555</u>	<u>171NJ304N1099</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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, 2017**

Part I – Summary of Auditor's Results

State Awards Section

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

\$750,000

Auditee qualified as low-risk auditee?

X yes no

Internal Control over major programs:

(1) Material weakness(es) identified?

 yes X 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

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with N.J. Circular Letter 15-08?

 yes X no

Identification of major state programs:

<u>GMIS Number(s)</u>
<u>17-495-034-5120-078</u>
<u>17-495-034-5120-089</u>
<u>17-495-034-5120-084</u>
<u>17-495-034-5120-098</u>
<u>17-495-034-5120-097</u>
<u>17-495-034-5120-101</u>

<u>Name of State Program</u>
<u>Equalization Aid</u>
<u>Special Education Aid</u>
<u>Security Aid</u>
<u>PARCC Readiness Aid</u>
<u>Per Pupil Growth Aid</u>
<u>Professional Learning Community Aid</u>

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**NUTLEY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required to be reported by 2 CFR 200 Section .516 of the Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards and N.J. OMB Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

There are none.

**NUTLEY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards and N.J. OMB Circular Letter 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.