

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Borough of Dunellen Board of Education
Board of Education
Dunellen, New Jersey**

For the Fiscal Year Ended June 30, 2016

Prepared by

**Dunellen Board of Education
Finance Department**

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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Introductory Section

DUNELLEN PUBLIC SCHOOLS

High Street and Lehigh Street
Dunellen, New Jersey 08812
Telephone: (732) 968-3226
Facsimile: (732) 968-3513

Mr. Eugene Mosley
Superintendent of Schools

Mr. Brian P. De Lucia
*School Board Secretary/
Business Administrator*

November 30, 2016

Honorable President and
Members of the Board of Education
Dunellen School District
Dunellen, New Jersey 08812

Dear Board Members:

The comprehensive annual financial report of the Dunellen School District (District) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate 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 District as of June 30, 2016, and the respective changes in financial positions and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, "Audits of State, Local Governments and Non-Profit Organizations", and the State Treasury Circular Letter 15-08-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and special education for handicapped youngsters. The District's enrollment as of October 15, 2015 was 1,127 students. The following details the changes in student enrollment of the District over the last ten years:

<u>Student Enrollment</u>	
October 15, 2015	1,127
October 15, 2014	1,155
October 15, 2013	1,168
October 15, 2012	1,179
October 15, 2011	1,176
October 15, 2010	1,134
October 15, 2009	1,152
October 15, 2008	1,101
October 15, 2007	1,114
October 13, 2006	1,104

2. ECONOMIC CONDITION AND OUTLOOK: Although Dunellen was relatively stable for a number of years, the recession of 2008 continues to impact employment as it has the state and country. The Middlesex County unemployment rate for 2015 was 5.0% while Dunellen's unemployment rate was slightly lower at 4.9%.

The equalized valuation of real property in 2016 has stabilized at the level it was in 2010. The Borough of Dunellen continues to focus on increasing the taxable value of property in the Borough.

3. MAJOR INITIATIVES:

Student achievement on standardized tests continued to be a district focus for the 2015-2016 school year. The following educational program strategies were implemented:

Programmatic needs are being accessed by the High School Staff and Administration

- Textbooks and online teacher and student resources for Environmental Science & Physics
- Professional development- content specific and NGSS
- Continue the integration of technology to support and enhance the learning environment
- Review the instructional spaces in all science rooms to ensure the facilities support the program

Utilizing Top-Down Vertical Articulation

Review of Math program

- Building Principals and the Director of Curriculum & Instruction to review the current Math program and access the Math program in grade 8 through grade 3.
- Math curriculum will be reviewed and revamped if necessary (summer 2015).
- District staff to evaluate textbooks & instructional support materials & Administrative team to make any purchasing recommendations to the Superintendent of Schools in the Spring of 2015.
- Implementation of program Summer of 2015 for the 2015-2016 school year with the Director of Curriculum & Instruction overseeing all of the implementation throughout the 2015-2016 school year.

Technology

- New DHS Apple computer lab for programming & video editing classes
- Complete the new wireless backbone & implement BYOD at DHS and LMS
- Chromebooks for all teaching staff members at DHS
- Three (3) chromebook carts for LMS

Facilities

- Review CCTV / Access control systems
- Casework & built in shelves in rooms affected by the HVAC renovations at DHS
- Minor asbestos abatements (floors) where needed.

Increasing levels of communication between the district and parents continued as a major initiative for the 2015-2016 school year with focus on expanding the use current hardware and software. The use of the district new “friendly” website was increase by encouraging staff and school groups to post events, meeting schedules, etc. Also, Administrators were required to use our “Instant Alert” messaging system for general announcements.

Outreach to the community was accomplished through opportunities for senior citizens to read with students, Community Service Projects as part of the high school graduation requirement and two senior luncheons. The district continued to work closely with the borough officials on the joint field house/senior center project and the renovated fields and track at Columbia Park.

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 provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and the Special Revenue 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 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, 2016.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. DEBT ADMINISTRATION: As of June 30, 2016, there was district debt in the amount of \$7,930,000 due to the sale of bonds. The 1994 bonds have been paid off. The refunding of \$4,650,000 of the 1994 series bonds was executed on December 17, 1998 resulting in an average interest rate for the refunded bonds of 4.35%. Another successful referendum was held on December 9, 2003 that led to the sale of \$10,420,000 in bonds at a rate of 4.1697% on February 15, 2004. There is \$7,930,000 in debt left from this issue.

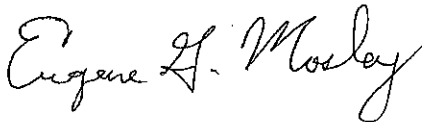
8. CASH MANAGEMENT: The investment policy of the District is guided in large part by State statute as detailed in "Notes to the Financial Statement", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection 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 required governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. 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.

10. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The firm of VM Associates, Inc. was selected by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the single Audit Act Amendments of 1996 and the related Federal Uniform Guidance and State Treasury Circular Letter 15-08-OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Dunellen 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,

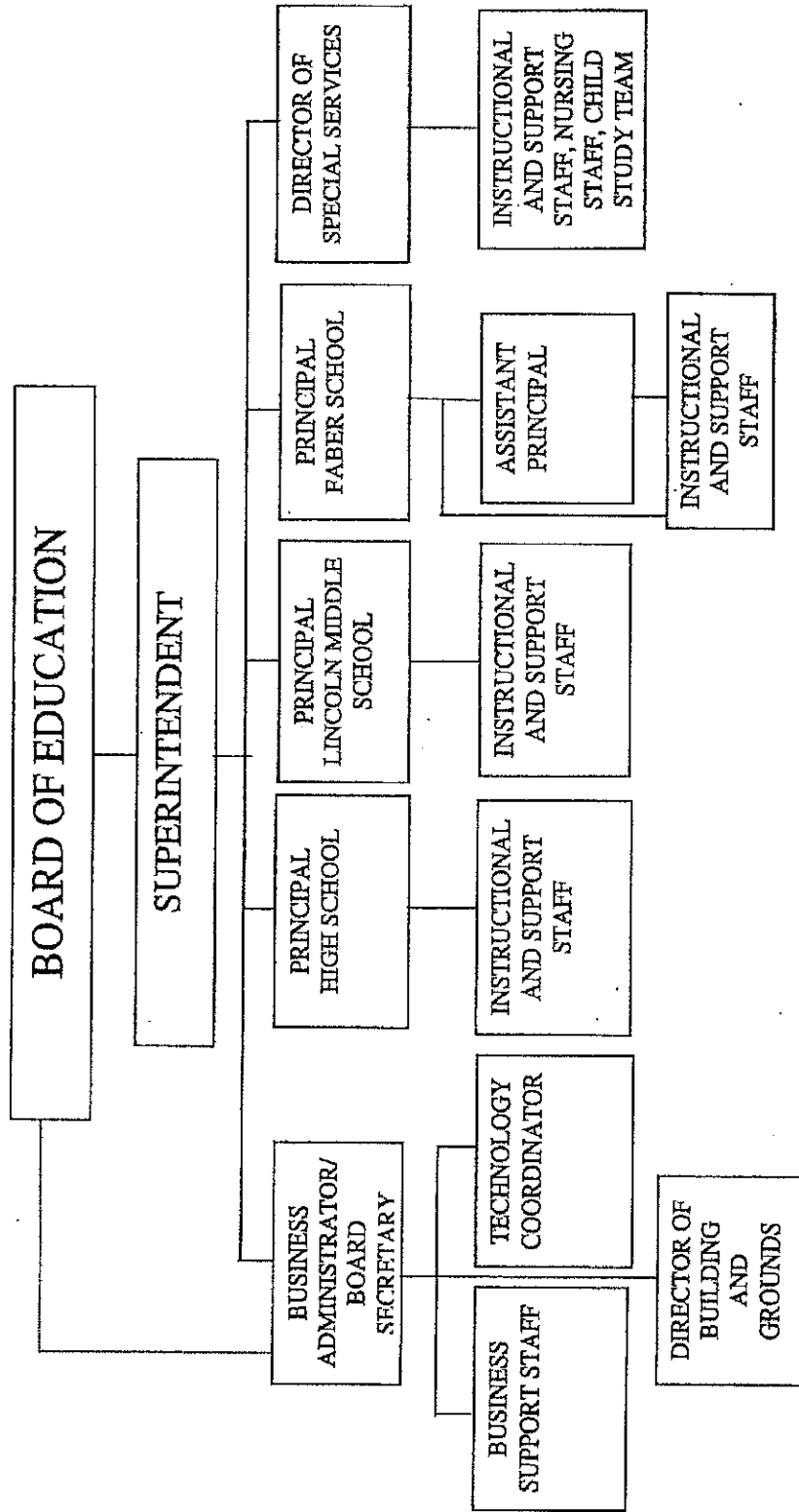


Mr. Eugene Mosley
Superintendent of Schools



Brian P. De Lucia
Business Administrator/
Board Secretary

DUNELLEN BOARD OF EDUCATION TABLE OF ORGANIZATION



**BOROUGH OF DUNELLEN
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Phillip Heiney	President	2018
George Johnson Jr.	Vice-President	2017
Peter Buccino	Member	2016
John Fitzgerald	Member	2016
Kathleen Guzzi	Member	2016
John Paul Osborn	Member	2016
Jeffrey Portik	Member	2018
Kenneth Sanders	Member	2018
Faith Thompson	Member	2018

Other Officials

Mr. Pio Pennisi	Superintendent
Mr. Brian P. DeLucia	Business Administrator/Board Secretary
Michael T. Catapano	Treasurer of School Monies
Marc Zitomer, Esq.	Board Attorney

**BOROUGH OF DUNELLEN
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

AUDIT FIRM

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P.O. Box 397
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ATTORNEY

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Florham Park, New Jersey 07932

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90 Woodbridge Center Drive
Woodbridge, New Jersey 07095

OFFICIAL DEPOSITORY

Provident Savings Bank
P.O. Box 48
Jersey City, New Jersey 07303

Financial Section

Independent Auditors' Report

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, 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 Borough of Dunellen School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 reasonable basis for our audit opinions.

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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 Borough of Dunellen School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 and budgetary comparison information on Schedules C-1 and C-2 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 State 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

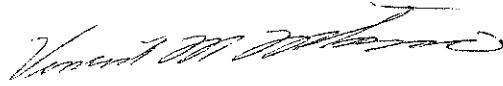
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Dunellen School District's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and other information such as the introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates 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 fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

The introductory section and statistical information 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 it.

Other Reporting Required by Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey

In accordance with Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated November 30, 2016 on our consideration of the Borough of Dunellen School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey in considering the Borough of Dunellen School District's internal control over financial reporting and compliance.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2016

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

DUNELLEN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(UNAUDITED)

The discussion and analysis of the Dunellen School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required and Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Financial Highlights

- The assets of the Dunellen School District exceeded its liabilities at the close of the most recent fiscal year by \$7,090,251.75 (net position).
- The District's total net position decreased \$34,935.28. Net Position of our business-type activities decreased \$16,374.91 or 17.32% and Net Position of our governmental activities decreased \$18,560.37 or .26%.
- General revenues accounted for \$15,019,332.79 in revenue or 68.53 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants accounted for \$6,898,418.82 or 31.47 percent of total revenues of \$21,917,751.61.
- The district had \$21,371,531.90 in expenses related to governmental activities; only \$6,333,638.74 were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$15,019,332.79 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$17,405,705.53 in revenues and \$16,964,576.01 in expenditures and \$619,215.00 in transfers out. The General Fund's fund balance decreased \$178,085.48 from the June 30, 2015 fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental Activities:** Most of the district's basic programs and services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.
- **Business-Type Activities:** These services are provided on a charge for goods or services basis to recover the cost of the goods and services provided. The District's food service program is reported as a business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources than can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The district is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements: The notes provided additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the notes to the basic financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Dunellen School District's
Government-Wide and Fund Financial Statements
(Figure A-1)**

	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as food service and student activities	Activities the District operates similar to private businesses; N/A	Instances in which the District is the trustee or agent for someone else's resources, such as payroll agency and student activities.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows/inflows and liabilities, both financial and capital, and short-term and long term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long- term.
Type of inflow/outflow information	All revenues and expenses during the 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 payment is due during the year or soon thereafter.	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Financial Analysis of the District as a Whole

The District's *combined* net position changed from a year ago, *decreasing* from \$7.13 million to \$7.09 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 598,311.21	\$ 1,113,754.71	\$ (8,465.13)	\$ 31,327.68	\$ 589,846.08	\$ 1,145,082.39
Capital Assets	18,068,102.25	17,552,698.52	93,101.66	63,223.76	18,161,203.91	17,615,922.28
Total Assets	18,666,413.46	18,666,453.23	84,636.53	94,551.44	18,751,049.99	18,761,004.67
Deferred Charge on Refunding of Debt and						
Issuance Costs and Pension Outflows	1,319,354.33	1,167,549.61	-	-	1,319,354.33	1,167,549.61
Total Deferred Outflows of Resources	1,319,354.33	1,167,549.61	-	-	1,319,354.33	1,167,549.61
Long-term Debt Outstanding	8,940,844.91	9,291,109.66			8,940,844.91	9,291,109.66
Other Liabilities	3,962,059.66	3,331,942.59	6,460.00	-	3,968,519.66	3,331,942.59
Total Liabilities	12,902,904.57	12,623,052.25	6,460.00	-	12,909,364.57	12,623,052.25
Deferred Pension Inflows	70,788.00	180,315.00				
Net Position:						
Net Investment in Capital Assets	10,160,602.25	9,227,073.52	93,101.66	63,223.76	10,253,703.91	9,290,297.28
Restricted	554,621.75	1,229,722.52			554,621.75	1,229,722.52
Unrestricted (deficit)	(3,703,148.78)	(3,426,160.45)	(14,925.13)	31,327.68	(3,718,073.91)	(3,394,832.77)
Total Net Position	\$ 7,012,075.22	\$ 7,030,635.59	\$ 78,176.53	\$ 94,551.44	\$ 7,090,251.75	\$ 7,125,187.03

- Net position of the District's governmental activities decreased by .26 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operation without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$276,988.33.
- Restricted net position, those restricted mainly for capital projects decreased by \$675,100.77.
- The restricted net position category decreased due to the District's use of its Maintenance Reserve and designated fund balances.
- The investment in capital assets, net of debt category increased by \$933,528.73.

Table 2

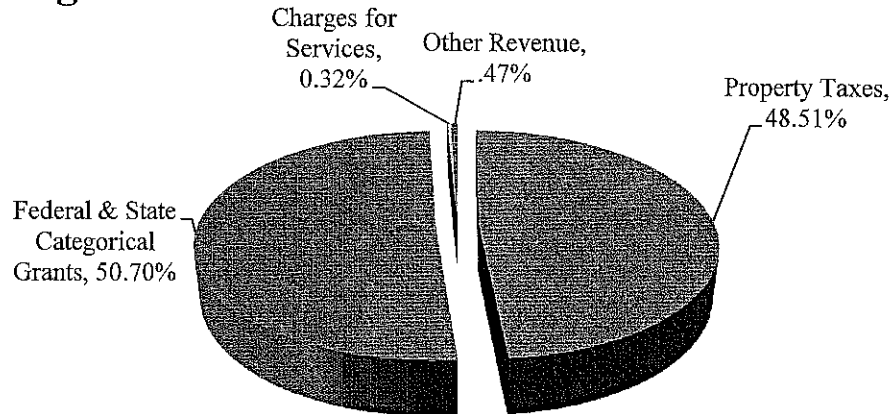
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 69,268.20	\$ 52,971.00	\$ 243,965.37	\$ 223,923.83	\$ 313,233.57	\$ 276,894.83
Operating Grants and Contributions	6,264,370.54	4,109,327.75	320,814.71	278,662.85	6,585,185.25	4,387,990.60
General Revenues:						
Property Taxes	10,359,133.42	10,073,040.92			10,359,133.42	10,073,040.92
Federal and State Aid	4,560,085.06	5,503,013.09			4,560,085.06	5,503,013.09
Other General Revenues	100,114.31	60,912.93			100,114.31	60,912.93
Transfers In	-	50,000.00	-	-	-	50,000.00
Total Revenues:	<u>21,352,971.53</u>	<u>19,849,265.69</u>	<u>564,780.08</u>	<u>502,586.68</u>	<u>21,917,751.61</u>	<u>20,351,852.37</u>
<u>Program Expenses Including Indirect Expenses</u>						
Instruction:						
Regular	9,257,507.08	7,843,983.68			9,257,507.08	7,843,983.68
Special	2,273,919.83	1,903,322.00			2,273,919.83	1,903,322.00
Other Instruction	897,046.87	897,181.34			897,046.87	897,181.34
Support Services:						
Tuition	1,047,738.06	1,059,861.89			1,047,738.06	1,059,861.89
Student and Instruction Related Services	3,027,680.69	2,437,944.86			3,027,680.69	2,437,944.86
School Administrative Services	1,170,751.91	1,101,739.09			1,170,751.91	1,101,739.09
General and Business Administrative Services	1,377,897.67	1,229,543.08			1,377,897.67	1,229,543.08
Plant Operations and Maintenance	1,399,567.46	1,339,699.50			1,399,567.46	1,339,699.50
Pupil Transportation	538,841.75	464,999.22			538,841.75	464,999.22
Debt Service Assessment	61,602.00	61,602.00			61,602.00	61,602.00
Charter Schools	32,564.00	15,151.00			32,564.00	15,151.00
Interest on Long-Term Debt	286,414.58	304,992.08			286,414.58	304,992.08
Transfers Out				50,000.00		50,000.00
Business-Type Activities:						
Food Services	-	-	581,154.99	482,100.36	581,154.99	482,100.36
Total Expenses	<u>21,371,531.90</u>	<u>18,660,019.74</u>	<u>581,154.99</u>	<u>532,100.36</u>	<u>21,952,686.89</u>	<u>19,192,120.10</u>
Increase in Net Position	<u>(18,560.37)</u>	<u>1,189,245.95</u>	<u>(16,374.91)</u>	<u>(29,513.68)</u>	<u>(34,935.28)</u>	<u>1,159,732.27</u>
Net Position-Beginning 7/1	7,030,635.59	5,841,389.64	94,551.44	124,065.12	7,125,187.03	5,965,454.76
Net Position-Ending 6/30	<u>\$ 7,012,075.22</u>	<u>\$ 7,030,635.59</u>	<u>\$ 78,176.53</u>	<u>\$ 94,551.44</u>	<u>\$ 7,090,251.75</u>	<u>\$ 7,125,187.03</u>

Governmental Activities

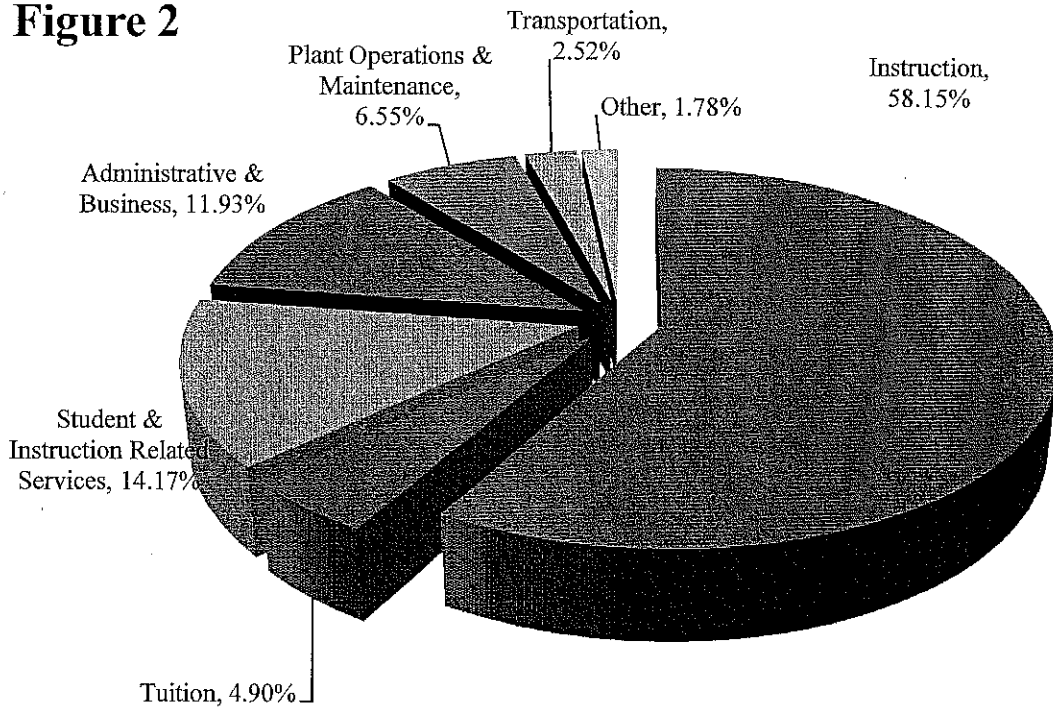
Revenue Sources. The District's total revenue for the 2015/2016 school year was \$21,352,971.53 (See Table 2). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$10,359,133.42 of the total, or 48.51 percent (See Figure 1). State formula aid and categorical grants accounted for 50.70 percent and the remainder was from tuition and other miscellaneous sources. The Dunellen School District primarily conducts its operations from the revenue it receives from the State and its local taxpayers.

Figure 1



The total cost of all programs and services was \$21,371,531.90. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (77.87 percent) (See Figure 2). The District's administrative and maintenance activities accounted for 19.95 percent of total costs. It is important to note that depreciation of \$494,869.78 is included in expenses for the year.

Figure 2



Governmental Activities (Continued)

The practice of funding public schools primarily through property taxes in New Jersey creates the legal requirement to annually seek voter approval for the District operations. In NJ State Aid has remained relatively flat over the past few years; the burden of funding education in the District has fallen on property taxes. Therefore it is crucial that the District examine its expenditures carefully, since any proposed increase to the school district budget will be funded entirely through property taxes.

Table 3 presents the cost of the District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 12,428,473.78	\$ 10,644,487.02	\$ 8,238,964.38	\$ 7,968,120.83
Tuition	1,047,738.06	1,059,861.89	714,437.10	717,096.75
Student and Instruction Services	3,027,680.69	2,437,944.86	2,227,824.89	2,011,109.66
Administrative and Business	2,548,649.58	2,331,282.17	1,916,291.88	1,977,733.59
Maintenance and Operations	1,399,567.46	1,339,699.50	1,324,320.16	1,298,860.94
Transportation	538,841.75	464,999.22	520,013.75	446,171.22
Other	380,580.58	381,745.08	96,041.00	78,628.00
	<u>\$ 21,371,531.90</u>	<u>\$ 18,660,019.74</u>	<u>\$ 15,037,893.16</u>	<u>\$ 14,497,720.99</u>

- The cost of all governmental activities this year was \$21.37 million.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the District's costs, however, were financed by District taxpayers (\$10.36 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula.
- The remainder of governmental activities funding came from charges for services, local grants, investment earnings and miscellaneous revenue.

THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The District's governmental fund is comprised of the general fund, special revenue fund, and capital projects fund and is accounted for using the modified accrual basis of accounting.

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unrestricted fund balance is divided between assigned to and unassigned balances. The District has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

General Fund: The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was -\$178,579.29, while total fund balance was \$372,769.66.

As demonstrated by the various statements, the District maintains a sound financial position. The information below compares revenues for 2015-2016 and 2014-2015.

Table 4

<u>Revenues by Source:</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>% Change</u>
Local Tax Levy	\$ 10,643,673.00	\$ 10,376,158.00	2.58%
Tuition Charges	69,268.20	52,971.00	30.77%
Miscellaneous	<u>100,114.31</u>	<u>60,912.93</u>	64.36%
Total - Local Sources	10,813,055.51	10,490,041.93	3.08%
State Sources	7,268,684.96	7,675,392.44	-5.30%
Federal Sources	<u>599,276.06</u>	<u>577,233.32</u>	3.82%
Total Revenues	<u>\$ 18,681,016.53</u>	<u>\$ 18,742,667.69</u>	-0.33%

The increase in local sources is mainly attributable to the overall tax levy increasing. The decrease of \$406,707.48 of State Sources is a result of the District receiving ROD grants in 2014-2015. The increase in Federal sources in 2015-2016 is primarily due to increased entitlements.

THE DISTRICT'S FUNDS (Continued)

Governmental Activities (Continued)

The information below compares expenditures for 2015-2016 and 2014-2015:

Table 5

<u>Expenditures by Function:</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>% Change</u>
Current:			
Regular Instruction	\$ 5,042,670.15	\$ 5,018,078.90	0.49%
Special Education	1,337,392.38	1,290,653.63	3.62%
Other Instruction	526,119.03	593,716.53	-11.39%
Support Services and Undistributed Costs:			
Tuition	1,047,738.06	1,059,861.89	-1.14%
Student and Instruction Related Services	1,815,612.30	1,682,055.61	7.94%
School Administrative Services	629,052.80	623,873.96	0.83%
General and Business Administrative Services	893,097.17	897,591.68	-0.50%
Plant Operations and Maintenance	1,281,952.66	1,253,184.99	2.30%
Pupil Transportation	538,841.75	464,999.22	15.88%
Employee Benefits	4,321,119.71	3,878,767.76	11.40%
Capital Outlay	1,010,273.51	1,143,878.63	-11.68%
Capital Outlay-Debt Service Assessment	61,602.00	61,602.00	0.00%
Charter Schools	32,564.00	15,151.00	114.93%
Debt Service:			
Principal	420,000.00	955,000.00	-56.02%
Interest on Long-Term Debt	292,125.00	320,390.00	-8.82%
Total Expenditures	<u>\$ 19,250,160.52</u>	<u>\$ 19,258,805.80</u>	-0.04%

Other Instruction expenditures decreased \$67,597.50 as a result of the District reducing the use of hourly out-sourced professional services and replacing them with a more cost-efficient FTE coupled with enrollment changes.

Employee Benefits increased \$442,351.95 due to the recording of the net pension liability transactions.

Pupil Transportation increased \$73,842.53 as a result of the a number of transportation jointures previously provided by the Piscataway School District being canceled by the host and the routes were subject to the public bidding process.

Charter School expenditures increased \$17,413.00 as a result of increased charter school enrollment.

Capital Outlay expenditures decreased \$133,605.12 as a result of less improvements completed in 2015-2016 as opposed to the previous school year.

Debt Service Principle decreased \$535,000.00 due to the District making its final installment on the School Bonds of 2003 in the prior school year.

All other fluctuations are within the normal range of plus or minus 10% and therefore further explanation is not provided

THE DISTRICT'S FUNDS (Continued)

Business-type Activities

The District's major Enterprise Fund consists of the Food Service Fund. Revenues for the Food Service Program were comprised of charges for services and federal and state reimbursements. Food Service expenses exceeded revenues by \$16,374.91. Charges for food service represent \$243,965.37 of revenue, this is the amount paid by patrons for daily food service and special functions. Federal and State reimbursements for meals, including payments for free and reduced lunches, and donated commodities was \$320,814.71.

The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 6, which demonstrates return on ending assets and return on ending net position.

Table 6

	<u>Food Service</u>
Total Assets	\$ 78,176.53
Net Position	78,176.53
Change in Net Position	(16,374.91)
Return on Ending Total Assets	-20.95%
Return on Ending Net Position	-20.95%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 7

Net Investment in Capital Assets at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 53,064.00	\$ 53,064.00	\$ -	\$ -	\$ 53,064.00	\$ 53,064.00
Land Improvements	591,750.00	591,750.00			591,750.00	591,750.00
Buildings	24,794,593.03	23,784,319.52			24,794,593.03	23,784,319.52
Machinery and Equipment	441,892.36	441,892.36	134,083.28	105,160.40	575,975.64	547,052.76
Construction-in-Progress	-	-	-	-	-	-
Subtotal	25,881,299.39	24,871,025.88	134,083.28	105,160.40	26,015,382.67	24,976,186.28
Accumulated Depreciation	(7,813,197.14)	(7,318,327.36)	(40,981.62)	(41,936.64)	(7,854,178.76)	(7,360,264.00)
Totals	<u>\$ 18,068,102.25</u>	<u>\$ 17,552,698.52</u>	<u>\$ 93,101.66</u>	<u>\$ 63,223.76</u>	<u>\$ 18,161,203.91</u>	<u>\$ 17,615,922.28</u>

This year’s major additions in the Governmental Activities included the completion of construction projects at the High School and the Elementary School.

More detailed information about the District capital assets is presented in the notes to the basic financial statements.

DEBT

At year-end the District had total debt of \$8.9 million outstanding versus \$9.3 last year – a decrease of 3.8 percent – as shown in Table 8.

Outstanding Debt, at Year-End

Table 8

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Serial Bonds	\$ 7,930,000.00	\$ 8,350,000.00
Unamortized Premium	660,099.33	715,107.61
Compensated Absences	<u>350,745.58</u>	<u>226,002.05</u>
	<u>\$ 8,940,844.91</u>	<u>\$ 9,291,109.66</u>

The District continued to pay down its debt as scheduled, retiring \$420,000 of its outstanding serial bonds. The District’s accrued Compensated Absences increased by \$124,743.53 from 2015 primarily due to more employees being eligible to accrue sick and vacation time along with an increase in the daily rate of payment for accumulated days.

An analysis of District Debt is presented in the notes to the basic financial statements.

BUDGETS

The District’s budget is prepared according to New Jersey Department of Education guidelines. The most significant budgetary fund is the General Fund. Revisions in the general fund budget were made through budget transfers to prevent over commitments in specific line item accounts. These transfers were made by a resolution of the Board of Education pursuant to N.J.S.A. 18A:22-8.1.

Described below are explanations for variations in expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

Revenues

There were no revenue fluctuations between the original and modified budgets.

Expenditures

The modified budget for Various - Salaries and Purchased Professional and Technical Services Increased/Decreased due to the District reducing the use of hourly out-sourced professional services and replacing them with a more cost-efficient FTE coupled with enrollment changes.

The modified budget for Tuition Other LEAs increased by \$66,680.63 due to the District placing two (2) new special needs students in less costly placements at other LEAs .

The modified budget for Tuition to Private Schools decreased by \$81,905.13 due to tow (2) students moving out-of-district during 2015-2016.

The modified budget for Transportation: Contracted Services (Special Education Students) – ESCs increased by \$84,600.70 due to the District utilizing educational service commissions for transporting special needs students.

Described below are explanations for variations in expenditures for certain lines where the modified budget amounts differ from the actual budget by significant amounts. All other fluctuations were considered obvious/immaterial and no explanations were deemed necessary.

Revenues

Miscellaneous Income was greater than the modified budget by \$96,318.31 as a result of increased prior year refunds and cancellation of old outstanding checks.

Extraordinary Aid was greater than the modified budget by \$43,694.00 due an increase of special education students

Expenditures

The actual amounts expended for Energy was less than the final budget by approximately \$78,050.00 due to the improvements made to the District's school over the past two school years

FACTORS BEARING ON THE DISTRICT'S FUTURE

In preparing the 2016-2017 budget, the primary goal of the Board was to develop a budget that would meet the District's educational priorities, provide accountability to the taxpaying community, and comply with the stringent restrictions placed on school district budgets by the new legislation. This legislation put a "2% cap" on the local tax levy; therefore, limiting the amount of funds a district can raise to support its budget. During the preparation of the 2016-2017 budget, the District has not utilized any of its banked cap, and may plan to utilize it in the future. The District generated banked cap from enrollment adjustments and health benefits adjustments.

The Board has opted to prepare its 2016-2017 budget with the State Mandated CAP. The 2016-2017 unrestricted fund balance will be limited to 2% of our expenditures as per the New Jersey Department of Education regulations plus any allowable adjustments. Thus, it will be important to prepare a budget that will closely reflect actual expenditures since the unrestricted fund balance will not permit much flexibility. Looking ahead to the development of the 2017-2018 budget, the new budget law put into effect by the State of New Jersey Department of Education will have a significant impact. The law goes beyond the capping of revenues for the budget but it also authorizes the Executive County Superintendent to look into the budget and challenge the District in their expenditure decisions. The State of New Jersey has also made it clear that they are moving to reduce the number of school districts in the State by consolidating neighboring districts and by encouraging shared services.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Brian P. De Lucia, Dunellen School District, Dunellen, New Jersey 08812.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

SECTION A

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The Government-Wide financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of the governmental and business-like activities as of June 30, 2016.

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Net Position
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 79,444.72	\$ (36,776.45)	\$ 42,668.27
Receivables, Net	365,594.52	15,691.78	381,286.30
Inventory		6,159.54	6,159.54
Restricted Assets:			
Capital Reserve Account - Cash	150,000.00		150,000.00
Capital Projects - Cash	3,271.97		3,271.97
Capital Assets, Net			
Land Not Depreciated	53,064.00		53,064.00
Other Assets Being Depreciated	<u>18,015,038.25</u>	<u>93,101.66</u>	<u>18,108,139.91</u>
Total Assets	<u>18,666,413.46</u>	<u>78,176.53</u>	<u>18,744,589.99</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	636,755.00		636,755.00
Deferred Charge on Refunding of Debt and Issuance Costs	<u>682,599.33</u>	<u>-</u>	<u>682,599.33</u>
Total Deferred Outflows of Resources	<u>1,319,354.33</u>	<u>-</u>	<u>1,319,354.33</u>
LIABILITIES			
Accounts Payable	119,223.48	-	119,223.48
Interfund Payable	100,000.00		100,000.00
Bond Interest Payable	130,097.91		130,097.91
Unearned Revenue	3,045.27		3,045.27
Net Pension Liability	3,609,693.00		3,609,693.00
Noncurrent Liabilities :			
Due Within One Year	495,008.28		495,008.28
Due Beyond One Year	<u>8,445,836.63</u>	<u>-</u>	<u>8,445,836.63</u>
Total Liabilities	<u>12,902,904.57</u>	<u>-</u>	<u>12,902,904.57</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	<u>70,788.00</u>		<u>70,788.00</u>
NET POSITION			
Net Investment in Capital Assets	10,160,602.25	93,101.66	10,253,703.91
Restricted For:			
Debt Service	0.83		0.83
Capital Projects	3,271.97		3,271.97
Other Purposes	551,348.95		551,348.95
Unrestricted	<u>(3,703,148.78)</u>	<u>(14,925.13)</u>	<u>(3,718,073.91)</u>
Total Net Position	<u>\$ 7,012,075.22</u>	<u>\$ 78,176.53</u>	<u>\$ 7,090,251.75</u>

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

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Activities
For the Year Ended June 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 9,257,507.08	\$ 69,268.20	\$2,625,248.18	-	\$ (6,562,990.70)	-	\$ (6,562,990.70)
Special Education	2,273,919.83		1,256,164.65		(1,017,755.18)		(1,017,755.18)
Other	897,046.87		238,828.37		(658,218.50)		(658,218.50)
Support Services:							
Tuition	1,047,738.06		333,300.96		(714,437.10)		(714,437.10)
Student and Instruction Related Services	3,027,680.69		799,855.80		(2,227,824.89)		(2,227,824.89)
School Administrative Services	1,170,751.91		323,423.15		(847,328.76)		(847,328.76)
General and Business Administrative Services	1,377,897.67		308,934.55		(1,068,963.12)		(1,068,963.12)
Plant Operations and Maintenance	1,399,567.46		75,247.30		(1,324,320.16)		(1,324,320.16)
Pupil Transportation	538,841.75		18,828.00		(520,013.75)		(520,013.75)
Charter Schools	32,564.00				(32,564.00)		(32,564.00)
Interest on Long-Term Debt	286,414.58		284,539.58		(1,875.00)		(1,875.00)
Debt Service Assessment	61,602.00				(61,602.00)		(61,602.00)
Total Governmental Activities	21,371,531.90	69,268.20	6,264,370.54	-	(15,037,893.16)	-	(15,037,893.16)
Business-Type Activities:							
Food Service	581,154.99	243,965.37	320,814.71		(16,374.91)		(16,374.91)
Total Business-Type Activities	581,154.99	243,965.37	320,814.71	-	(16,374.91)	-	(16,374.91)
Total Primary Government	\$ 21,952,686.89	\$ 313,233.57	\$ 6,585,185.25	\$ -	\$ (15,037,893.16)	\$ (16,374.91)	\$ (15,054,268.07)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 9,931,548.00	-	\$ 9,931,548.00
Property Taxes, Levied for Debt Service Principal					427,585.42		427,585.42
Federal and State Aid Not Restricted					4,560,085.06		4,560,085.06
Miscellaneous Income					100,114.31		100,114.31
Transfers							
Total General Revenues, Special Items, Extraordinary Items and Transfers					15,019,332.79	-	15,019,332.79
Change in Net Position					(18,560.37)	(16,374.91)	(34,935.28)
Net Position—Beginning (Restated)					7,030,635.59	94,551.44	7,125,187.03
Net Position—Ending					\$ 7,012,075.22	\$ 78,176.53	\$ 7,090,251.75

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

SECTION B

FUND FINANCIAL STATEMENTS

The combining and individual fund and account group statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type. The statements are segregated as follows:

Governmental Funds- This section consists of the general, special revenue, capital projects, and debt service funds.

Proprietary Funds- This section consists of the food service program. These funds are operated in a manner to a private business enterprise.

Fiduciary Funds- This section consists of the unemployment compensation insurance trust fund, the student activity and the payroll agency funds.

GOVERNMENTAL FUNDS

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Debt</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 70,357.42	\$ 9,086.47	\$ -	\$ 0.83	\$ 79,444.72
Interfunds Receivable	208,846.00				208,846.00
Receivables From Other Governments	93,694.00	-	208,846.00		302,540.00
Tuition Receivable	18,000.00				18,000.00
Other	32,356.39	-			32,356.39
Medicaid Reimbursements Receivable	12,698.13				12,698.13
Restricted Cash and Cash Equivalents	<u>150,000.00</u>	<u>-</u>	<u>3,271.97</u>	<u>-</u>	<u>153,271.97</u>
Total Assets	<u>\$ 585,951.94</u>	<u>\$ 9,086.47</u>	<u>\$212,117.97</u>	<u>\$ 0.83</u>	<u>\$ 807,157.21</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 113,182.28	\$ 6,041.20	\$ -		\$ 119,223.48
Interfunds Payable	100,000.00	-	208,846.00	-	308,846.00
Unearned Revenue	<u>-</u>	<u>3,045.27</u>	<u>-</u>		<u>3,045.27</u>
Total Liabilities	<u>213,182.28</u>	<u>9,086.47</u>	<u>208,846.00</u>		<u>431,114.75</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	150,000.00				150,000.00
Maintenance Reserve Account	-				-
Excess Surplus – Prior Year Designated for Subsequent Year's Expenditures	-				-
Debt Service Fund				0.83	0.83
Capital Projects Fund			3,271.97		3,271.97
Assigned to:					
Year End Encumbrances	1,348.95		-		1,348.95
Designated for Subsequent Year's Expenditures	400,000.00				400,000.00
Unassigned:					
General Fund	<u>(178,579.29)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178,579.29)</u>
Total Fund Balances	<u>372,769.66</u>	<u>-</u>	<u>3,271.97</u>	<u>0.83</u>	<u>376,042.46</u>
Total Liabilities and Fund Balances	<u>\$ 585,951.94</u>	<u>\$ 9,086.47</u>	<u>\$212,117.97</u>	<u>\$ 0.83</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

The District has financed capital assets through the issuance of serial bonds. The adjustment to net position for the accrual of interest expense is. (130,097.91)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,881,299.39 and the accumulated depreciation is \$7,813,197.14. 18,068,102.25

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt. The unamortized portion of the Deferred Charges on Refunding is \$606,968.73 and unamortized portion of the Bond Issuance Costs is \$75,630.60. 682,599.33

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. 636,755.00

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (70,788.00)

Long-term liabilities, including bonds and net pension payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (12,550,537.91)

Net Position of Governmental Activities \$ 7,012,075.22

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 9,931,548.00	\$ -	\$ -	\$ 712,125.00	\$ 10,643,673.00
Tuition Charges	69,268.20				69,268.20
Miscellaneous	<u>96,827.31</u>	<u>3,287.00</u>	-	-	<u>100,114.31</u>
Total - Local Sources	10,097,643.51	3,287.00	-	712,125.00	10,813,055.51
State Sources	7,268,684.96	-	-	-	7,268,684.96
Federal Sources	<u>39,377.06</u>	<u>559,899.00</u>	-	-	<u>599,276.06</u>
Total Revenues	<u>17,405,705.53</u>	<u>563,186.00</u>	<u>-</u>	<u>712,125.00</u>	<u>18,681,016.53</u>
EXPENDITURES					
Current:					
Regular Instruction	4,781,402.15	261,268.00			5,042,670.15
Special Education Instruction	1,130,965.51	206,426.87			1,337,392.38
Other Instruction	526,119.03	-			526,119.03
Support Services and Undistributed Costs:					
Tuition	1,047,738.06				1,047,738.06
Student and Instruction Related Services	1,784,120.17	31,492.13			1,815,612.30
School Administrative Services	629,052.80				629,052.80
General and Business Administrative Services	893,097.17				893,097.17
Plant Operations and Maintenance	1,281,952.66				1,281,952.66
Pupil Transportation	538,841.75				538,841.75
Unallocated Benefits	4,257,120.71	63,999.00			4,321,119.71
Transfer to Charter School	32,564.00				32,564.00
Capital Outlay	-		1,010,273.51		1,010,273.51
Capital Outlay-Debt Service Assessment	61,602.00				61,602.00
Debt Service:					
Principal				420,000.00	420,000.00
Interest	-	-	-	<u>292,125.00</u>	<u>292,125.00</u>
Total Expenditures	<u>16,964,576.01</u>	<u>563,186.00</u>	<u>1,010,273.51</u>	<u>712,125.00</u>	<u>19,250,160.52</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>441,129.52</u>	<u>-</u>	<u>(1,010,273.51)</u>	<u>-</u>	<u>(569,143.99)</u>
OTHER FINANCING SOURCES AND (USES)					
Transfers In			619,215.00		619,215.00
Transfers (Out)	<u>(619,215.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(619,215.00)</u>
Total Other Financing Sources and (Uses)	<u>(619,215.00)</u>	<u>-</u>	<u>619,215.00</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(178,085.48)	-	(391,058.51)	-	(569,143.99)
Fund Balance—July 1	<u>550,855.14</u>	<u>-</u>	<u>394,330.48</u>	<u>0.83</u>	<u>945,186.45</u>
Fund Balance—June 30	<u>\$ 372,769.66</u>	<u>\$ -</u>	<u>\$ 3,271.97</u>	<u>\$ 0.83</u>	<u>\$ 376,042.46</u>

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

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ (569,143.99)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
	Depreciation Expense	\$ (494,869.78)
	Capital Outlays	<u>1,010,273.51</u>
		515,403.73
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		420,000.00
Governmental Funds report effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
	Amortization of Deferred Charge on Refunding	\$ (50,580.73)
	Amortization of Bond Issuance Costs	(6,302.55)
	Amortization of Bond Premium	<u>55,008.28</u>
		(1,875.00)
Pension contributions are reported in governmental funds as expenditures. However in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns and experience or assumptions.		
This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.		
		(265,787.00)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)		
	Interest paid	\$ 292,125.00
	Interest accrued	<u>(284,539.58)</u>
		7,585.42
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).		
		(124,743.53)
Change in Net Position of Governmental Activities		<u>\$ (18,560.37)</u>

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

PROPRIETARY FUNDS

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Net Position
Proprietary Funds
June 30, 2016**

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Preschool Program</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ (36,776.45)	\$ 6,460.00	\$ (30,316.45)
Accounts Receivable	15,691.78		15,691.78
Inventories	6,159.54	-	6,159.54
Total Current Assets	<u>(14,925.13)</u>	<u>6,460.00</u>	<u>(8,465.13)</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment	134,083.28		134,083.28
Less Accumulated Depreciation	<u>(40,981.62)</u>	<u>-</u>	<u>(40,981.62)</u>
Total Noncurrent Assets	<u>93,101.66</u>	<u>-</u>	<u>93,101.66</u>
Total Assets	<u>78,176.53</u>	<u>6,460.00</u>	<u>84,636.53</u>
LIABILITIES			
Current Liabilities:			
Prepaid Fees		6,460.00	6,460.00
Total Current Liabilities	<u>-</u>	<u>6,460.00</u>	<u>6,460.00</u>
Noncurrent Liabilities:			
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>6,460.00</u>	<u>6,460.00</u>
NET POSITION			
Net Investment in Capital Assets	93,101.66		93,101.66
Unrestricted	<u>(14,925.13)</u>	<u>-</u>	<u>(14,925.13)</u>
Total Net Position	<u>\$ 78,176.53</u>	<u>\$ -</u>	<u>\$ 78,176.53</u>

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

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Preschool Program</u>	<u>Totals</u>
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 157,483.32	\$ -	\$ 157,483.32
Daily Sales - Non-Reimbursable Programs	<u>86,482.05</u>		<u>86,482.05</u>
Total Operating Revenues	<u>243,965.37</u>	<u>-</u>	<u>243,965.37</u>
Operating Expenses:			
Cost of Sales	248,538.26		248,538.26
Salaries	155,151.66		155,151.66
Employee Benefits	40,197.29		40,197.29
Purchased Property Service	11,201.00		11,201.00
Other Purchased Services	60,218.02		60,218.02
Miscellaneous	10,197.06		10,197.06
General Supplies	27,406.72		27,406.72
Depreciation	<u>28,244.98</u>	<u>-</u>	<u>28,244.98</u>
Total Operating Expenses	<u>581,154.99</u>	<u>-</u>	<u>581,154.99</u>
Operating (Loss)	<u>(337,189.62)</u>	<u>-</u>	<u>(337,189.62)</u>
Nonoperating Revenues :			
State Sources:			
State School Lunch Program	5,999.34		5,999.34
Federal Sources:			
National School Lunch Program	225,925.80		225,925.80
School Breakfast Program	45,806.75		45,806.75
Food Distribution Program	<u>43,082.82</u>		<u>43,082.82</u>
Total Nonoperating Revenues	<u>320,814.71</u>	<u>-</u>	<u>320,814.71</u>
Change in Net Position	(16,374.91)	-	(16,374.91)
Total Net Position—Beginning	<u>94,551.44</u>	<u>-</u>	<u>94,551.44</u>
Total Net Position—Ending	<u>\$ 78,176.53</u>	<u>\$ -</u>	<u>\$ 78,176.53</u>

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Preschool Program</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 243,965.37	\$ 6,460.00	\$ 250,425.37
Payments to Employees	(155,151.66)		(155,151.66)
Payments for Employee Benefits	(40,197.29)		(40,197.29)
Payments to Suppliers	<u>(358,289.19)</u>	-	<u>(358,289.19)</u>
Net Cash Provided By/(Used For) Operating Activities	<u>(309,672.77)</u>	<u>6,460.00</u>	<u>(303,212.77)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	6,067.88		6,067.88
Federal Sources	<u>316,373.27</u>		<u>316,373.27</u>
Net Cash Provided By Non-Capital Financing Activities	<u>322,441.15</u>	-	<u>322,441.15</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	<u>(58,122.88)</u>		<u>(58,122.88)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(58,122.88)</u>	-	<u>(58,122.88)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(45,354.50)	6,460.00	(38,894.50)
Balances—Beginning of Year	<u>8,578.05</u>	-	<u>8,578.05</u>
Balances—End of Year	<u>\$ (36,776.45)</u>	<u>\$ 6,460.00</u>	<u>\$ (30,316.45)</u>
Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities:			
Operating (Loss)	\$ (337,189.62)	\$ -	\$ (337,189.62)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:			
Depreciation	28,244.98		28,244.98
Decrease in Other Current Assets	1,403.36		1,403.36
(Increase) in Inventories	(2,131.49)		(2,131.49)
Increase in Prepaid Fees	-	6,460.00	6,460.00
Total Adjustments	<u>27,516.85</u>	<u>6,460.00</u>	<u>33,976.85</u>
Net Cash (Used For) Operating Activities	<u>\$ (309,672.77)</u>	<u>\$ 6,460.00</u>	<u>\$ (303,212.77)</u>

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

FIDUCIARY FUNDS

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Fiduciary Net Positions
Fiduciary Funds
June 30, 2016**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 52,101.79	\$ 358.81	\$ 148,158.47
Interfund Receivable	<u>100,000.00</u>	-	-
Total Assets	<u>\$ 152,101.79</u>	<u>\$ 358.81</u>	<u>\$ 148,158.47</u>
LIABILITIES			
Payable to Student Groups			\$ 129,399.90
Payroll Deductions and Withholdings	<u>-</u>	-	<u>18,758.57</u>
Total Liabilities	<u>-</u>	-	<u>\$ 148,158.47</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 152,101.79</u>		
Reserved for Scholarships		<u>\$ 358.81</u>	

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

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 21,763.29	\$ -
Other	-	<u>\$ 3,300.00</u>
Total Contributions	<u>21,763.29</u>	<u>3,300.00</u>
Total Additions	<u>21,763.29</u>	<u>3,300.00</u>
DEDUCTIONS		
Unemployment Claims	3,953.37	
Scholarships Awarded	-	<u>3,300.00</u>
Total Deductions	<u>3,953.37</u>	<u>3,300.00</u>
Change in Net Position	17,809.92	-
Net Position—Beginning	<u>134,291.87</u>	<u>358.81</u>
Net Position—Ending	<u>\$ 152,101.79</u>	<u>\$ 358.81</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Borough of Dunellen School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Borough of Dunellen School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, certain legally separate; tax exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary, junior and senior high schools located in Dunellen, New Jersey. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Government-Wide Statements (Continued)

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non capital financing activities, or investing activities normally would not be reported as components of operating income.

The District's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Food Service Fund:</u>	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating 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 District enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds.. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, Private Purpose and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Fiduciary Fund Types (Continued)

Trust Funds: The unemployment compensation fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, The State of New Jersey requires school districts to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of specific individuals or former employees. The management of the District is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

The private purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll, Payroll Agency, Student Activity, and Athletic Funds): The agency funds are used to account for the assets that the District holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

Upon the filing of certified adopted budgets by the School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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.

All budget amendments must be approved by School Board resolution. Appropriation of additional Maintenance Reserve Fund Balance in the amount of \$219,215.00 was made during the year ended June 30, 2016. Appropriation of prior year encumbrances in the amount of \$2,100.21 were made during the year ended June 30, 2016. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1. For the year ended June 30, 2016, there were no expenditures that exceeded appropriations in the General Fund.

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 generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in 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.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The special revenue fund had no encumbrances at June 30, 2016. Open encumbrances in the special revenue fund are reflected in the balance sheet as unearned revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position and Fund Equity

Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection 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.

1. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

2. Receivables from other Governments

The following is an analysis of receivables from Federal and State Governments (See Schedule of Expenditures of Federal and State Financial Assistance, Schedule A & B for Analysis):

B. Fund 10 - State Aid-\$622,354.00
B. Fund 60 - State Aid-Child Nutrition-\$312.38
A. Fund 60 - Federal Aid- U.S. Dept. of Agriculture \$15,379.40

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

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

4. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

5. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, parking lots, underground pipe, etc.. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has included all infrastructure assets in the current fiscal year

6. Deferred Outflows 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 a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The government only has two items that qualifies for reporting in this category. It is deferred charge on refunding of debt and bond issuance costs which results from the loss of debt refunding reported in the government-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is amortized over the shorter of the life of the refunded or refunding debt.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

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

7. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note VIII)

8. Unearned Revenue

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

9. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

10. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

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

12. Net Position/Fund Balance

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-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 imposed by creditors (such as 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.

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BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

- Reserved Excess Surplus-Designated for Subsequent Year's Expenditures- this restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that was appropriated in the 2016/2017 original budget certified for taxes. The District has no restricted for this purpose at June 30, 2016.
- Reserved Excess Surplus- this restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes. The District has \$0.00 restricted for current year excess surplus at June 30, 2016.
- Capital Reserve- This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures. The District has \$150,000.00 restricted in the Capital Reserve Account at June 30, 2016.
- Maintenance Reserve- The maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with the EFCFA (*N.J.S.A. 18A:7G-9*) as amended by P.L. 2004, c. 73 (S1701). The District has \$0.00 restricted in the Maintenance Reserve Account at June 30, 2016.
- Debt Service- Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund. The Debt Service Fund has \$0.83 restricted at June 30, 2016.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

H. Fund Balance Reserves (Continued)

Assigned- includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Intent is expressed by either the Board of Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes.

- Year-End Encumbrances- Represents outstanding purchase orders for goods or service approved by management for specific purposes from available resources of the current year for which the goods and services have not yet been received or rendered at June 30. The District has \$1,348.95 assigned for this purpose at June 30, 2016.
- Designated for Subsequent Year's Expenditures- This designation was created to dedicate the portion of fund balance appropriated in the adopted 2016/2017 District Budget certified for taxes. The District has \$400,000.00 restricted for this purpose at June 30, 2016.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Recent Accounting Pronouncements

During fiscal year 2016, the District adopted the following GASB statements:

GASB 72, "*Fair Value Measurement and Application*", will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify- in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

I. Recent Accounting Pronouncements (Continued)

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

GASB 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", will be effective beginning with the fiscal year ending June 30, 2017. 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 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB 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 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to the aforementioned Statements 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.

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BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2016 the Borough of Dunellen School District's cash and cash equivalents amounted to \$721,924.72. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$471,924.72 was covered by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2016 the Borough of Dunellen School District had no participation in the State of New Jersey Cash Management Fund.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2016, none of the Borough of Dunellen School District's cash and cash equivalents of was exposed to custodial credit risk.

The District does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Borough of Dunellen School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District did not have any investments at June 30, 2016.

Interest Rate Risk: The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments at June 30, 2016.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments at June 30, 2016.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance (As Restated)	Additions	Adjustments	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 53,064.00	\$ -	\$ -	\$ 53,064.00
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>53,064.00</u>	<u>-</u>	<u>-</u>	<u>53,064.00</u>
Land Improvements	591,750.00			591,750.00
Buildings and Improvements	23,784,319.52	1,010,273.51		24,794,593.03
Machinery and Equipment	441,892.36	-	-	441,892.36
Totals at Historical Cost	<u>24,817,961.88</u>	<u>1,010,273.51</u>	<u>-</u>	<u>25,828,235.39</u>
Less Accumulated Depreciation For:				
Land Improvements	(310,668.75)	(29,587.50)		(340,256.25)
Buildings and Improvements	(6,636,256.20)	(429,716.81)		(7,065,973.01)
Machinery and Equipment	(371,402.41)	(35,565.47)	-	(406,967.88)
Total Accumulated Depreciation	<u>(7,318,327.36)</u>	<u>(494,869.78)</u> (1)	<u>-</u>	<u>(7,813,197.14)</u>
Net Capital Assets Being Depreciated	<u>17,499,634.52</u>	<u>515,403.73</u>	<u>-</u>	<u>18,015,038.25</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,552,698.52</u>	<u>\$ 515,403.73</u>	<u>\$ -</u>	<u>\$ 18,068,102.25</u>
Business - Type Activities:				
Equipment	\$ 105,160.40	\$ 58,122.88	\$ 29,200.00	\$ 134,083.28
Less Accumulated Depreciation	<u>(41,936.64)</u>	<u>(28,244.98)</u>	<u>(29,200.00)</u>	<u>(40,981.62)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 63,223.76</u>	<u>\$ 29,877.90</u>	<u>\$ -</u>	<u>\$ 93,101.66</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 486,229.78
School Administrative Services	8,200.00
Plant Operations and Maintenance	<u>440.00</u>
	<u>\$ 494,869.78</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has no commitments under operating leases. Total operating lease payments made during the year ended June 30, 2015 were \$1,366.10.

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>		<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:						
Long - Term Debt:						
Serial Bonds	\$ 8,350,000.00	\$ -	\$ (420,000.00) (1)		\$ 7,930,000.00	\$ 440,000.00
Unamortized Premium	<u>715,107.61</u>	<u>-</u>	<u>(55,008.28)</u>		<u>660,099.33</u>	<u>55,008.28</u>
Total Debt Payable	<u>9,065,107.61</u>	<u>-</u>	<u>(475,008.28)</u>		<u>8,590,099.33</u>	<u>495,008.28</u>
Other Liabilities:						
Net Pension Liability	3,025,691.00	584,002.00			3,609,693.00	-
Compensated Absences	<u>226,002.05</u>	<u>124,743.53</u>	<u>-</u>		<u>350,745.58</u>	<u>-</u>
Total Other Liabilities	<u>3,251,693.05</u>	<u>708,745.53</u>	<u>-</u> (2)		<u>3,960,438.58</u>	<u>-</u>
Governmental Activities						
Long - Term Liabilities	<u>\$ 12,316,800.66</u>	<u>\$ 708,745.53</u>	<u>\$ (475,008.28)</u>		<u>\$ 12,550,537.91</u>	<u>\$ 495,008.28</u>

(1) Paid by Debt Service Fund

(2) Paid by General Fund

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Serial Bonds outstanding as of June 30, 2016 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Refunding Bonds	Various	7/15	7/15/29	\$8,005,000	7,930,000.00

Principal and interest due on serial bonds outstanding is as follows:

<u>Year ending June 30.</u>	<u>School Bond of 2012</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 440,000.00	\$ 277,250.00	\$ 717,250.00
2018	455,000.00	263,825.00	718,825.00
2019	470,000.00	249,950.00	719,950.00
2020	485,000.00	238,050.00	723,050.00
2021	500,000.00	228,200.00	728,200.00
2022	515,000.00	212,900.00	727,900.00
2023	540,000.00	191,800.00	731,800.00
2024	560,000.00	169,800.00	729,800.00
2025	590,000.00	146,800.00	736,800.00
2026	620,000.00	122,600.00	742,600.00
2027	645,000.00	97,300.00	742,300.00
2028	675,000.00	70,900.00	745,900.00
2029	705,000.00	43,300.00	748,300.00
2030	730,000.00	14,600.00	744,600.00
	<u>\$ 7,930,000.00</u>	<u>\$ 2,327,275.00</u>	<u>\$ 10,257,275.00</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Bonds Authorized But Not Issued

As of June 30, 2016 the Board had no authorized but not issued bonds.

3. Refunding Bonds Payable

Refunding bonds in the amount of \$8,005,000.00 were issued on December 12, 2012. The purpose of the Bonds were to (i) advance refund all of the \$7,975,000.00 aggregate principal amount of School Bonds of the Board dated February 15, 2004 originally issued in the principal amount of \$10,420,000.00 maturing on July 15 in the years 2016 through 2029 (inclusive) (the “Refunded Bonds”) at a redemption price of 100% of the principal amount thereof (the “Redemption Price”). Specifically, the Bonds will be used to pay: (1) interest, when due, on the Refunded Bonds to July 15, 2015 (the “Call Date”); (2) the Redemption Price of the Refunded Bonds on the Call Date; and (3) the costs associated with the issuance of the Bonds. The outstanding principal of the defeased debt is \$7,930,000.00 at June 30, 2016.

Note IV: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.73 (S1701), the designation for Reserved Fund Balance—Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years’ budget. There is no excess fund balance at June 30, 2016.

B. Capital Reserve Account

A capital reserve account was established by the Borough of Dunellen Board of Education by inclusion of \$1.00 on October 17, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13 (g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 is \$1,064,435.00

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note IV: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

The activity of the capital reserve for the July 1, 2012 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 1.00
Transfer from Unassigned Fund Balance 2012-2013	316,346.00
Transfer from Unassigned Fund Balance 2013-2014	250,000.00
Budgeted Withdrawal 2014-2015	(566,347.00)
Transfer from Unassigned Fund Balance 2014-2015	<u>150,000.00</u>
Ending Balance June 30, 2016	\$ <u>150,000.00</u>

C. Maintenance Reserve Account

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities project, districts are required to submit a plan for the maintenance of that facility. During the 2015-2016 school year the District withdrew \$219,215.00 for maintenance projects and transferred it to the Capital Projects Fund. As of June 30, 2016, the District has restricted \$0.00 for maintenance reserve.

Note V: Pension Plans

Description of Systems

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

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

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans

Description of Systems

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

According to the State of New Jersey Management Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports maybe obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The TPAF is considered a cost-sharing multiple-employer plan with special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Summary of Significant Accounting Policies-

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflow or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$34,978,482 as measured on June 30, 2015 and \$43,760,207 as measured on June 30, 2014.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,671,955 and revenue of \$2,671,955 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of July 1, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/15</u>	<u>6/30/14</u>
Collective Deferred Outflows of Resources	\$7,521,378,257	\$2,306,623,861
Collective Deferred Inflows of Resources	554,399,005	1,763,205,593
Collective Net Pension Liability (Nonemployer-State of NJ)	63,577,864,440	53,446,745,367
State's Portion of the Net Pension Liability that was associated with the District	43,760,207	34,978,482
State's Portion of the Net Pension Liability that was associated with the District as a percentage of the Collective Net Pension Liability	0.0692362%	0.0654455%

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward June 30, 2014. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.5%
Salary Increases	Varies based on experience
Investment Rate of Return	7.90%

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year 2000 until the valuation date plus 15 years to account for future mortality improvement. Post retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return 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 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 TPAF's target asset allocation as of June 30, 2015 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%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds – Multi Strategy	4.00%	4.59%
Hedge Funds – Equity Hedge	4.00%	5.68%
Hedge Funds – Distressed	4.00%	4.30%

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

Discount Rate

The discount rate used to measure the State's total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of employers' contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payment after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

Pension Plan Fiduciary Net Position

Information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

Public Employees' Retirement System (PERS)

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

Summary of Significant Accounting Policies-

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

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

At June 30, 2016, the District reported a liability of \$3,609,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the District's proportion was 0.01608%, which was a decrease of 0.00008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$270,804. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$86,115.00	
Changes of Assumptions	387,652.00	
Net difference between Projected and Actual Earnings on Pension Plan Investments		\$58,037.00
Changes in proportion and differences between District Contributions and Proportionate Share of Contributions	162,988.00	12,751.00
District Contributions Subsequent to the Measurement Date	<u>0.00</u>	<u>0.00</u>
Total	<u>\$636,755.00</u>	<u>\$70,788.00</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	75,683.79
2017	75,683.79
2018	75,683.79
2019	120,538.58
2020	<u>68,140.05</u>
Total	<u>\$415,730.00</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

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

	<u>6/30/15</u>	<u>6/30/14</u>
Collective Deferred Outflows of Resources	\$ 3,578,755,666.00	\$ 952,194,675.00
Collective Deferred Inflows of Resources	993,410,455.00	1,479,224,662.00
Collective Net Pension Liability (Non-State-Local Group)	22,447,996,119.00	18,722,735,003.00
District's Portion of Net Pension Liability	3,609,693.00	3,025,691.00
District's Proportion %	0.01608%	0.01616%

Actuarial Assumptions

The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation	3.04%
Salary Increases:	
2012-2021	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PER's target asset allocation as of June 30, 2015 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%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.25%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

Sensitivity of the Districts Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$4,486,407.00	\$3,609,693.00	\$2,874,663.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

Defined Contribution Retirement Plan (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, "P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system: however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% or related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members'

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note V: Pension Plans (Continued)

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the PERS operates and to the benefit provisions. New members of the PERS hire on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 % for each month that the member is under age 65. The eligibility age to qualify for service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. PERS and TPAF employee contribution rates will increase from 5.5% to 6.5% of salary effective October 2011. The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. Employees are required to contribute a certain percentage of the cost of health benefits. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. In addition, this new legislation changes the method of amortizing the pension systems' unfunded accrued liability from a level percent of pay method to level dollar of pay.

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 6.92 percent for TPAF and PERS and 5.5% for DCRP of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2015, for TPAF, annual pension cost differs from the annual required contribution. For PERS, the annual pension cost equals the annual required contribution made. For TPAF employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, member contributions are matched by a 3% employer contribution.

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BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Contributions – Actual

The District's total payroll for the year ended June 30, 2016 was \$9,247,046.00 and covered payroll was \$6,912,756.00 for TPAF and \$1,265,305.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

			Percent of Covered		Percent of Covered
		<u>TPAF</u>	<u>Payroll</u>	<u>PERS</u>	<u>Payroll</u>
Employees	6/30/14	481,382.11	6.90%	74,502.29	6.83%
	6/30/15	465,452.63	7.10%	80,393.67	6.95%
	6/30/16	496,366.72	7.18%	90,161.42	7.13%
Board of Education	6/30/14	N/A	N/A	112,446.00	10.32%
	6/30/15	N/A	N/A	133,225.00	11.52%
	6/30/15	N/A	N/A	138,247.00	10.93%
State of New Jersey	6/30/14	730,811.00	10.47%	N/A	N/A
	6/30/15	968,543.00	14.78%	N/A	N/A
	6/30/16	1,217,221.00	17.61%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$518,761.96 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015 there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides for employer paid health benefits to members of PERS who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the District.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
(CONTINUED)

Note VII: Risk Management

The District is a member of the New Jersey School Board Association Insurance Group (the "Group").

The Group is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Group and should it be determined that payments received by the Group are deficient, additional assessments may be levied. Additionally, the Group maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Borough of Dunellen School District continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance – 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.

Note VIII: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

Note VIII: Compensated Absences (Continued)

In the government-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Food Service Fund.

Note IX: Contingent Liabilities

The Borough of Dunellen School District is a defendant in a few lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note X: Subsequent Events

The Borough of Dunellen School District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

SECTION C

BUDGETARY COMPARISON SCHEDULES

The budgetary comparison schedules consist of the comparison of anticipated revenues and budgeted expenditures to actual results for the general and the special revenue funds.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,931,548.00	\$ -	\$ 9,931,548.00	\$ 9,931,548.00	\$ -
Tuition	61,500.00	-	61,500.00	69,268.20	7,768.20
Miscellaneous	509.00	-	509.00	96,827.31	96,318.31
Total - Local Sources	<u>9,993,557.00</u>	<u>-</u>	<u>9,993,557.00</u>	<u>10,097,643.51</u>	<u>104,086.51</u>
State Sources:					
Equalization Aid	4,487,536.00	-	4,487,536.00	4,487,536.00	-
Transportation Aid	18,828.00	-	18,828.00	18,828.00	-
Special Education Aid	694,377.00	-	694,377.00	694,377.00	-
Security Aid	55,425.00	-	55,425.00	55,425.00	-
Extraordinary Aid	50,000.00	-	50,000.00	93,694.00	43,694.00
Under Adequacy Aid	159,306.00	-	159,306.00	159,306.00	-
PARCC Readiness Aid	11,620.00	-	11,620.00	11,620.00	-
Per Pupil Growth Aid	11,620.00	-	11,620.00	11,620.00	-
TPAF PRM (On-Behalf - Non-Budgeted)	-	-	-	661,596.00	661,596.00
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	555,625.00	555,625.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	518,781.96	518,781.96
Total State Sources	<u>5,488,712.00</u>	<u>-</u>	<u>5,488,712.00</u>	<u>7,268,408.96</u>	<u>1,779,696.96</u>
Federal Sources:					
Medical Assistance Program	11,155.00	-	11,155.00	39,377.06	28,222.06
Total - Federal Sources	<u>11,155.00</u>	<u>-</u>	<u>11,155.00</u>	<u>39,377.06</u>	<u>28,222.06</u>
Total Revenues	<u>15,493,424.00</u>	<u>-</u>	<u>15,493,424.00</u>	<u>17,405,429.53</u>	<u>1,912,005.53</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool - Salaries of Teachers	105-100-101 \$ 39,702.00	\$ (10,962.00)	\$ 28,740.00	\$ 28,740.00	\$ -
Kindergarten - Salaries of Teachers	110-100-101 271,110.00	(37,110.00)	234,000.00	233,000.00	1,000.00
Grades 1-5 - Salaries of Teachers	120-100-101 1,531,920.00	(32,341.30)	1,499,578.70	1,498,215.60	1,363.10
Grades 6-8 - Salaries of Teachers	130-100-101 820,083.00	8,164.75	828,247.75	828,247.75	-
Grades 9-12 - Salaries of Teachers	140-100-101 1,740,489.00	24,248.22	1,764,737.22	1,764,737.22	-
Regular Programs - Home Instruction:					
Salaries of Teachers	150-100-101 20,480.00	-	20,480.00	17,864.25	2,615.75
Purchased Professional-Educational Services	150-100-320 9,000.00	-	9,000.00	8,854.48	145.52
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	190-100-106 77,560.00	25,256.00	102,816.00	102,816.00	-
Purchased Professional-Educational Services	190-100-320 21,300.00	(85.00)	21,215.00	19,446.36	1,768.64
General Supplies	190-100-610 224,920.00	(28,666.76)	196,253.24	186,975.72	9,277.52
Textbooks	190-100-640 114,250.00	(20,975.13)	93,274.87	92,504.77	770.10
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>4,870,814.00</u>	<u>(72,471.22)</u>	<u>4,798,342.78</u>	<u>4,781,402.15</u>	<u>16,940.63</u>
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities:					
Salaries of Teachers	209-100-101 127,354.00	10,053.70	137,407.70	137,407.70	-
Other Salaries for Instruction	209-100-106 18,264.00	-	18,264.00	18,081.36	182.64
General Supplies	209-100-610 2,600.00	-	2,600.00	780.59	1,819.41
Textbooks	209-100-640 300.00	-	300.00	-	300.00
Total Behavioral Disabilities	<u>148,518.00</u>	<u>10,053.70</u>	<u>158,571.70</u>	<u>156,269.65</u>	<u>2,302.05</u>
Multiple Disabilities:					
Salaries of Teachers	212-100-101 187,808.00	(14,415.25)	173,392.75	159,022.75	14,370.00
Other Salaries for Instruction	212-100-106 42,678.00	(21,339.00)	21,339.00	21,339.00	-
General Supplies	212-100-610 1,400.00	-	1,400.00	594.96	805.04
Textbooks	212-100-640 1,000.00	-	1,000.00	-	1,000.00
Total Multiple Disabilities	<u>232,886.00</u>	<u>(35,754.25)</u>	<u>197,131.75</u>	<u>180,956.71</u>	<u>16,175.04</u>
Resource Room/Resource Center:					
Salaries of Teachers	213-100-101 342,293.00	44,170.60	386,463.60	386,463.60	-
Other Salaries for Instruction	213-100-106 278,864.00	(30,763.44)	248,100.56	246,345.00	1,755.56
General Supplies	213-100-610 2,800.00	-	2,800.00	2,075.24	724.76
Total Resource Room/Resource Center	<u>623,957.00</u>	<u>13,407.16</u>	<u>637,364.16</u>	<u>634,883.84</u>	<u>2,480.32</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Autism:						
Salaries of Teachers	214-100-101	59,625.00	(765.00)	58,860.00	58,860.00	-
Other Salaries for Instruction	214-100-106	22,359.00	(22,359.00)	-	-	-
Textbooks	214-100-640	750.00	50.00	800.00	737.39	62.61
Total Autism		<u>82,734.00</u>	<u>(23,074.00)</u>	<u>59,660.00</u>	<u>59,597.39</u>	<u>62.61</u>
Preschool Disabilities - Full-Time:						
Salaries of Teachers	216-100-101	22,479.00	992.00	23,471.00	23,471.00	-
Other Salaries for Instruction	216-100-106	35,120.00	40,623.00	75,743.00	75,344.00	399.00
General Supplies	216-100-610	600.00	-	600.00	442.92	157.08
Total Preschool Disabilities - Full-Time		<u>58,199.00</u>	<u>41,615.00</u>	<u>99,814.00</u>	<u>99,257.92</u>	<u>556.08</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION		<u>1,146,294.00</u>	<u>6,247.61</u>	<u>1,152,541.61</u>	<u>1,130,965.51</u>	<u>21,576.10</u>
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	225,520.00	(101,253.50)	124,266.50	111,256.00	13,010.50
General Supplies	230-100-610	500.00	-	500.00	392.23	107.77
Total Basic Skills/Remedial - Instruction		<u>226,020.00</u>	<u>(101,253.50)</u>	<u>124,766.50</u>	<u>111,648.23</u>	<u>13,118.27</u>
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	119,216.00	(7,163.00)	112,053.00	112,053.00	-
General Supplies	240-100-610	1,700.00	-	1,700.00	278.23	1,421.77
Total Bilingual Education - Instruction		<u>120,916.00</u>	<u>(7,163.00)</u>	<u>113,753.00</u>	<u>112,331.23</u>	<u>1,421.77</u>
School-Spon. Cocurricular Actvts. - Inst.						
Salaries	401-100-100	102,400.00	-	102,400.00	96,370.10	6,029.90
Supplies and Materials	401-100-600	2,500.00	52.84	2,552.84	1,405.80	1,147.04
Other Objects	401-100-800	475.00	(250.00)	225.00	225.00	-
Total School-Spon. Cocurricular Actvts. - Inst.		<u>105,375.00</u>	<u>(197.16)</u>	<u>105,177.84</u>	<u>98,000.90</u>	<u>7,176.94</u>
Other Instructional Programs - Instruction						
Salaries	402-100-100	199,680.00	(53,426.50)	146,253.50	131,828.50	14,425.00
Purchased Services (300-500 series)	402-100-500	37,000.00	(8,000.00)	29,000.00	28,060.46	939.54
Supplies and Materials	402-100-600	17,500.00	(500.00)	17,000.00	14,973.41	2,026.59
Other Objects	402-100-800	9,400.00	(1,469.50)	7,930.50	7,584.00	346.50
Transfers to Cover Deficit (Agency Funds)	402-100-930	21,000.00	1,000.00	22,000.00	21,692.30	307.70
Total Other Instructional Programs - Instruction		<u>284,580.00</u>	<u>(62,396.00)</u>	<u>222,184.00</u>	<u>204,138.67</u>	<u>18,045.33</u>
Total Instruction		<u>6,753,999.00</u>	<u>(237,233.27)</u>	<u>6,516,765.73</u>	<u>6,438,486.69</u>	<u>78,279.04</u>
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Special	000-100-562	100,000.00	66,680.63	166,680.63	162,773.69	3,906.94
Tuition to CSSD & Regional Day Schools	000-100-565	314,010.00	22,311.22	336,321.22	333,271.74	3,049.48
Tuition to Private Schools for the Disabled - Within State	000-100-566	640,000.00	(81,905.13)	558,094.87	551,692.63	6,402.24
Total Undistributed Expenditures - Instruction:		<u>1,054,010.00</u>	<u>7,086.72</u>	<u>1,061,096.72</u>	<u>1,047,738.06</u>	<u>13,358.66</u>
Undistributed Expend. - Attend. & Social Work						
Salaries	000-211-100	235,430.00	(30,114.00)	205,316.00	205,316.00	-
Supplies and Materials	000-211-600	5,230.00	(2,384.21)	2,845.79	2,320.84	524.95
Total Undistributed Expend. - Attend. & Social Work		<u>240,660.00</u>	<u>(32,498.21)</u>	<u>208,161.79</u>	<u>207,636.84</u>	<u>524.95</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Health Services						
Salaries	000-213-100	116,222.00	1,210.00	117,432.00	117,432.00	-
Purchased Professional and Technical Services	000-213-300	8,300.00	(62.00)	8,238.00	5,375.00	2,863.00
Supplies and Materials	000-213-600	11,450.00	62.00	11,512.00	5,587.43	5,924.57
Total Undistributed Expenditures - Health Services		<u>135,972.00</u>	<u>1,210.00</u>	<u>137,182.00</u>	<u>128,394.43</u>	<u>8,787.57</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100		58,169.00	58,169.00	58,169.00	-
Purchased Professional - Educational Services	000-216-320	280,000.00	(51,794.75)	228,205.25	228,158.90	46.35
Supplies and Materials	000-216-600	500.00	-	500.00	382.82	117.18
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		<u>280,500.00</u>	<u>6,374.25</u>	<u>286,874.25</u>	<u>286,710.72</u>	<u>163.53</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Purchased Professional - Educational Services	000-217-320	-	53,550.00	53,550.00	53,550.00	-
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		<u>-</u>	<u>53,550.00</u>	<u>53,550.00</u>	<u>53,550.00</u>	<u>-</u>
Undist. Expend. - Other Supp. Serv. Students-Reg.						
Salaries of Other Professional Staff	000-218-104	182,130.00	2,460.00	184,590.00	184,590.00	-
Salaries of Secretarial and Clerical Assistants	000-218-105	48,840.00	-	48,840.00	48,458.97	381.03
Other Salaries	000-218-110	4,312.00	(3,082.00)	1,230.00	1,230.00	-
Other Purchased Prof. and Tech. Services	000-218-390	16,900.00	(11,195.23)	5,704.77	2,063.00	3,641.77
Supplies and Materials	000-218-600	2,030.00	-	2,030.00	825.46	1,204.54
Other Objects	000-218-800	770.00	300.00	1,070.00	1,033.48	36.52
Total Undist. Expend. - Other Supp. Serv. Students-Reg.		<u>254,982.00</u>	<u>(11,517.23)</u>	<u>243,464.77</u>	<u>238,200.91</u>	<u>5,263.86</u>
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	319,180.00	-	319,180.00	318,759.92	420.08
Salaries of Secretarial and Clerical Assistants	000-219-105	59,120.00	(1,231.74)	57,888.26	57,888.26	-
Other Salaries	000-219-110	-	1,947.50	1,947.50	1,947.50	-
Purchased Professional - Educational Services	000-219-320	16,000.00	(4,700.00)	11,300.00	10,747.86	552.14
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	3,400.00	-	3,400.00	497.24	2,902.76
Supplies and Materials	000-219-600	7,000.00	-	7,000.00	3,248.76	3,751.24
Other Objects	000-219-800	2,100.00	-	2,100.00	1,020.00	1,080.00
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		<u>406,800.00</u>	<u>(3,984.24)</u>	<u>402,815.76</u>	<u>394,109.54</u>	<u>6,706.22</u>
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	119,400.00	75,900.00	195,300.00	195,300.00	-
Salaries of Other Professional Staff	000-221-104	6,144.00	1,236.00	7,380.00	7,380.00	-
Salaries of Secr and Clerical Assist.	000-221-105	35,200.00	(1,848.00)	33,352.00	31,300.00	2,052.00
Other Salaries	000-221-110	4,208.00	(893.33)	3,315.67	3,115.67	200.00
Purchased Prof- Educational Services	000-221-320	15,450.00	(5,471.00)	9,979.00	4,903.85	5,075.15
Other Purch Services (400-500)	000-221-500	1,100.00	-	1,100.00	1,069.60	30.40
Supplies and Materials	000-221-600	1,000.00	-	1,000.00	731.10	268.90
Other Objects	000-221-800	3,030.00	(952.00)	2,078.00	1,257.41	820.59
Total Undist. Expend. - Improvement of Inst. Serv.		<u>185,533.00</u>	<u>67,971.67</u>	<u>253,504.67</u>	<u>245,057.63</u>	<u>8,447.04</u>
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	141,446.00	(1,864.00)	139,582.00	139,582.00	-
Salaries of Technology Coordinators	000-222-177	66,830.00	16,335.26	83,165.26	83,165.26	-
Supplies and Materials	000-222-600	11,800.00	(5,260.62)	6,539.38	6,212.84	326.54
Other Objects	000-222-800	100.00	(100.00)	-	-	-
Total Undist. Expend. - Edu. Media Serv./Sch. Library		<u>220,176.00</u>	<u>9,110.64</u>	<u>229,286.64</u>	<u>228,960.10</u>	<u>326.54</u>
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	1,500.00	-	1,500.00	1,500.00	-
Total Undist. Expend. - Instructional Staff Training Serv.		<u>1,500.00</u>	<u>-</u>	<u>1,500.00</u>	<u>1,500.00</u>	<u>-</u>
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	206,020.00	226.88	206,246.88	206,246.88	-
Legal Services	000-230-331	30,000.00	(198.86)	29,801.14	29,752.51	48.63
Audit Services	000-230-332	21,200.00	-	21,200.00	21,200.00	-
Other Purchased Professional Services	000-230-339	4,000.00	4,000.00	8,000.00	7,991.94	8.06
Purchased Technical Services	000-230-340	7,500.00	(2,100.00)	5,400.00	5,396.78	3.22
Communications/Telephone	000-230-530	46,000.00	4,301.62	50,301.62	48,402.09	1,899.53
Other Purchased Services (400-500 series)	000-230-590	74,000.00	39,318.56	113,318.56	113,318.56	-
Supplies and Materials	000-230-610	3,000.00	(2,077.29)	922.71	917.71	5.00
Miscellaneous Expenditures	000-230-890	5,000.00	527.88	5,527.88	5,527.88	-
Board of Education Dues	000-230-895	8,000.00	(263.39)	7,736.61	7,601.26	135.35
Total Undist. Expend. - Supp. Serv. - General Admin.		<u>404,720.00</u>	<u>43,735.40</u>	<u>448,455.40</u>	<u>448,355.61</u>	<u>2,099.79</u>
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	472,000.00	(2,100.00)	469,900.00	469,899.60	0.40
Salaries of Other Professional Staff	000-240-104	26,880.00	(288.80)	26,611.20	26,611.20	-
Salaries of Secretarial and Clerical Assistants	000-240-105	106,980.00	(2,340.00)	104,640.00	103,872.00	768.00
Other Salaries	000-240-110	11,533.00	227.00	11,760.00	11,760.00	-
Other Purchased Services (400-500 series)	000-240-500	8,180.00	(3,800.00)	4,380.00	2,855.27	1,524.73
Supplies and Materials	000-240-600	11,700.00	(1,350.00)	10,350.00	9,111.31	1,238.69
Other Objects	000-240-800	5,200.00	268.00	5,468.00	4,943.42	524.58
Total Undist. Expend. - Support Serv. - School Admin.		<u>642,473.00</u>	<u>(9,363.80)</u>	<u>633,109.20</u>	<u>629,052.80</u>	<u>4,056.40</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services						
Salaries	000-251-100	294,770.00	6,708.30	301,478.30	301,478.24	0.06
Purchased Professional and Technical Services	000-251-330	6,500.00	(4,067.50)	2,432.50	2,411.30	21.20
Other Purchased Services (400-500 series)	000-251-592	4,800.00	42.34	4,842.34	3,001.93	1,840.41
General Supplies	000-251-600	3,500.00	254.63	3,754.63	3,675.22	79.41
Other Objects	000-251-890	1,500.00	905.34	2,405.34	2,405.34	-
Total Undist. Expend. - Central Services		<u>311,070.00</u>	<u>3,843.11</u>	<u>314,913.11</u>	<u>312,972.03</u>	<u>1,941.08</u>
Undist. Expend. - Information Technology						
Salaries	000-252-100	79,200.00	1,875.00	81,075.00	76,441.73	4,633.27
Purchased Professional and Technical Services	000-252-330	25,000.00	21,238.11	46,238.11	46,048.82	189.29
General Supplies	000-252-600	10,000.00	1,211.93	11,211.93	11,211.93	-
Other Objects	000-252-800	250.00	-	250.00	67.05	182.95
Total Undist. Expend. - Technology		<u>114,450.00</u>	<u>24,325.04</u>	<u>138,775.04</u>	<u>133,769.53</u>	<u>5,005.51</u>
Undist. Expend. - Required Maint. for Sch. Facil.						
Salaries	000-261-100	82,921.00	491.00	83,412.00	83,412.00	-
Cleaning, Repair and Maintenance Services	000-261-420	110,000.00	8,346.00	118,346.00	116,762.75	1,583.25
General Supplies	000-261-610	14,500.00	750.00	15,250.00	14,747.11	502.89
Other Objects	000-261-800	5,000.00	700.00	5,700.00	5,089.90	610.10
Total Undist. Expend. - Required Maint. for Sch. Facil.		<u>212,421.00</u>	<u>10,287.00</u>	<u>222,708.00</u>	<u>220,011.76</u>	<u>2,696.24</u>
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	51,200.00	8,800.00	60,000.00	58,623.00	1,377.00
Purchased Professional and Technical Services	000-262-300	12,500.00	(588.75)	11,911.25	10,950.00	961.25
Cleaning, Repair and Maintenance Services	000-262-420	589,625.00	7,083.07	596,708.07	589,291.99	7,416.08
Rental of Land and Buildings, Other Than Lease Purchase Agreements	000-262-441	-	6,055.98	6,055.98	4,512.55	1,543.43
Other Purchased Property Services	000-262-490	40,000.00	(3,300.00)	36,700.00	35,605.13	1,094.87
Insurance	000-262-520	63,000.00	-	63,000.00	62,571.84	428.16
Miscellaneous Purchased Services	000-262-590	-	16,409.00	16,409.00	16,299.00	110.00
General Supplies	000-262-610	43,000.00	(8,932.64)	34,067.36	32,858.36	1,209.00
Energy (Natural Gas)	000-262-621	91,800.00	9,000.00	100,800.00	59,686.06	41,113.94
Energy (Electricity)	000-262-622	234,000.00	(16,730.66)	217,269.34	180,343.89	36,925.45
Other Objects	000-262-800	3,000.00	295.00	3,295.00	3,295.00	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant		<u>1,128,125.00</u>	<u>18,091.00</u>	<u>1,146,216.00</u>	<u>1,054,036.82</u>	<u>92,179.18</u>
Care and Upkeep of Grounds						
Cleaning, Repair and Maintenance Services	000-263-420	11,000.00	(5,000.00)	6,000.00	5,000.00	1,000.00
General Supplies	000-263-610	3,000.00	-	3,000.00	2,714.08	285.92
Other Objects	000-263-800	250.00	-	250.00	190.00	60.00
Total Care and Upkeep of Grounds		<u>14,250.00</u>	<u>(5,000.00)</u>	<u>9,250.00</u>	<u>7,904.08</u>	<u>1,345.92</u>
Undist. Expend. - Student Transportation Serv.						
Salaries for Pupil Trans. (Between Home & School) - Special Aid in Lieu	000-270-161	-	-	-	-	-
	000-270-504	5,000.00	(3,232.00)	1,768.00	1,768.00	-
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	69,900.00	(11,900.00)	58,000.00	41,444.10	16,555.90
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	45,000.00	76,201.00	121,201.00	115,600.00	5,601.00
Contracted Services (Special Education Students) - Vendors	000-270-514	-	1,166.40	1,166.40	1,049.76	116.64
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	80,000.00	(53,299.70)	26,700.30	26,700.30	-
Contracted Services (Special Education Students) - ESCs	000-270-518	300,000.00	84,600.70	384,600.70	346,400.34	38,200.36
Miscellaneous Expenditures	000-270-800	8,825.00	-	8,825.00	5,879.25	2,945.75
Total Undist. Expend. - Student Transportation Serv.		<u>508,725.00</u>	<u>93,536.40</u>	<u>602,261.40</u>	<u>538,841.75</u>	<u>63,419.65</u>
UNALLOCATED BENEFITS						
Group Insurance	000-291-210	1,500.00	-	1,500.00	682.15	817.85
Social Security Contributions	000-291-220	146,063.00	6,937.00	153,000.00	152,947.77	52.23
Other Retirement Contributions - Regular	000-291-241	135,000.00	3,925.38	138,925.38	138,925.38	-
Unemployment Compensation	000-291-250	35,000.00	(35,000.00)	-	-	-
Workmen's Compensation	000-291-260	66,000.00	(7,049.03)	58,950.97	51,354.51	7,596.46
Health Benefits	000-291-270	2,182,600.00	(8,456.02)	2,174,143.98	2,153,366.83	20,777.15
Tuition Reimbursement	000-291-280	10,000.00	10,000.00	20,000.00	19,652.40	347.60
Other Employee Benefits	000-291-290	25,000.00	(15,976.60)	9,023.40	4,188.71	4,834.69
TOTAL UNALLOCATED BENEFITS		<u>2,601,163.00</u>	<u>(45,619.27)</u>	<u>2,555,543.73</u>	<u>2,521,117.75</u>	<u>34,425.98</u>
TPAF PRM (On-Behalf - Non-Budgeted)		-	-	-	661,596.00	(661,596.00)
TPAF Pension Contributions (On-Behalf - Non-Budgeted)		-	-	-	555,625.00	(555,625.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)		-	-	-	518,781.96	(518,781.96)
TOTAL ON-BEHALF CONTRIBUTIONS		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,736,002.96</u>	<u>(1,736,002.96)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		<u>2,601,163.00</u>	<u>(45,619.27)</u>	<u>2,555,543.73</u>	<u>4,257,120.71</u>	<u>(1,701,576.98)</u>
TOTAL UNDISTRIBUTED EXPENDITURES		<u>8,717,530.00</u>	<u>231,138.48</u>	<u>8,948,668.48</u>	<u>10,431,923.32</u>	<u>(1,483,254.84)</u>
TOTAL GENERAL CURRENT EXPENSE		<u>15,471,529.00</u>	<u>(6,094.79)</u>	<u>15,465,434.21</u>	<u>16,870,410.01</u>	<u>(1,404,975.80)</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016
(Concluded)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	000-400-896 61,602.00	-	61,602.00	61,602.00	
Capital Outlay - Transfer to Capital Projects	000-400-932 400,000.00	-	400,000.00	400,000.00	-
Total Facilities Acquisition and Construction Services	<u>481,602.00</u>	<u>-</u>	<u>481,602.00</u>	<u>481,602.00</u>	<u>-</u>
TOTAL CAPITAL OUTLAY	<u>481,602.00</u>	<u>-</u>	<u>481,602.00</u>	<u>481,602.00</u>	<u>-</u>
Transfer of Funds to Charter Schools	000-100-56X 24,369.00	8,195.00	32,564.00	32,564.00	-
TOTAL EXPENDITURES	<u>15,957,500.00</u>	<u>2,100.21</u>	<u>15,959,600.21</u>	<u>17,364,576.01</u>	<u>(1,404,975.80)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(464,076.00)</u>	<u>(2,100.21)</u>	<u>(466,176.21)</u>	<u>40,853.52</u>	<u>507,029.73</u>
Operating Transfer Out: Transfer to Capital Projects Fund	<u>-</u>	<u>(219,215.00)</u>	<u>(219,215.00)</u>	<u>(219,215.00)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(464,076.00)</u>	<u>(221,315.21)</u>	<u>(685,391.21)</u>	<u>(178,361.48)</u>	<u>507,029.73</u>
Fund Balance, July 1	<u>1,079,791.14</u>	<u>-</u>	<u>1,079,791.14</u>	<u>1,079,791.14</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 615,715.14</u>	<u>\$ (221,315.21)</u>	<u>\$ 394,399.93</u>	<u>\$ 901,429.66</u>	<u>\$ 507,029.73</u>
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses):					
Withdrawal from Maintenance Reserve	\$ -	\$ (219,215.00)	\$ (219,215.00)	\$ (219,215.00)	\$ -
Adjustment for Prior Year Encumbrances	-	(2,100.21)	(2,100.21)	(2,100.21)	-
Budgeted Fund Balance	<u>(464,076.00)</u>	<u>-</u>	<u>(464,076.00)</u>	<u>42,953.73</u>	<u>507,029.73</u>
Total	<u>\$ (464,076.00)</u>	<u>\$ (221,315.21)</u>	<u>\$ (685,391.21)</u>	<u>\$ (178,361.48)</u>	<u>\$ 507,029.73</u>
Analysis of Fund Balance June 30, 2016:					
Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditures					
Capital Reserve Account				150,000.00	
Maintenance Reserve Account				-	
Assigned:					
Encumbrances				1,348.95	
Designated for Subsequent Year's Expenditures				400,000.00	
Unassigned Fund Balance				<u>350,080.71</u>	
				<u>\$ 901,429.66</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Fund Balance June 30, 2016				\$ 901,429.66	
Last Current Year State Aid Payments Not Realized on GAAP Basis				<u>(528,660.00)</u>	
				<u>\$ 372,769.66</u>	

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	662,000.00	(102,101.00)	559,899.00	559,899.00	-
Local Sources	-	4,287.00	4,287.00	3,287.00	(1,000.00)
Total Revenues	<u>662,000.00</u>	<u>(97,814.00)</u>	<u>564,186.00</u>	<u>563,186.00</u>	<u>(1,000.00)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	370,000.00	(172,133.96)	197,866.04	197,866.04	-
Other Purchased Services (400-500 series)	250,000.00	1,079.00	251,079.00	251,079.00	-
General Supplies	-	19,749.83	19,749.83	18,749.83	1,000.00
Total Instruction	<u>620,000.00</u>	<u>(151,305.13)</u>	<u>468,694.87</u>	<u>467,694.87</u>	<u>1,000.00</u>
Support Services					
Personal Services - Salaries	42,000.00	(31,627.00)	10,373.00	10,373.00	-
Personal Services - Employee Benefits	-	63,999.00	63,999.00	63,999.00	-
Purchased Professional - Educational Services	-	4,500.00	4,500.00	4,500.00	-
Other Purchased Services (400-500 series)	-	10,817.97	10,817.97	10,817.97	-
Travel	-	-	-	-	-
Supplies & Materials	-	5,801.16	5,801.16	5,801.16	-
Total Support Services	<u>42,000.00</u>	<u>53,491.13</u>	<u>95,491.13</u>	<u>95,491.13</u>	<u>-</u>
Total Expenditures	<u>662,000.00</u>	<u>(97,814.00)</u>	<u>564,186.00</u>	<u>563,186.00</u>	<u>1,000.00</u>
Total Outflows	<u>\$ 662,000.00</u>	<u>\$ (97,814.00)</u>	<u>\$ 564,186.00</u>	<u>\$ 563,186.00</u>	<u>\$ 1,000.00</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION PART II**

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] & [C-2]	\$ 17,405,429.53	\$ 563,186.00
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		276.00	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 17,405,705.53</u>	<u>\$ 563,186.00</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] & [C-2]	\$ 17,364,576.01	\$ 563,186.00
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -		
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 17,364,576.01</u>	<u>\$ 563,186.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION -
PART III**

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	Teachers' Pension and Annuity Fund (TPAF)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's Proportion of the Net Pension Liability (Asset)**	N/A	N/A	N/A							
District's Proportionate Share of the Net Pension Liability (Asset)**	N/A	N/A	N/A							
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	\$ 43,760,207.00	\$ 34,978,482.00	\$ 33,921,884.00							
Total	<u>\$ 43,760,207.00</u>	<u>\$ 34,978,482.00</u>	<u>\$ 33,921,884.00</u>							
District's Covered Employee Payroll	\$ 6,554,337.00	\$ 6,977,427.00	\$ 6,654,742.00							
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	N/A	N/A	N/A							
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%							

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the District (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the District.

	Public Employees Retirement System (PERS)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's Proportion of the Net Pension Liability (Asset)	0.01608%	0.01616%	0.01492%							
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,609,693.00	\$ 3,025,691.00	\$ 2,852,189.00							
District's Covered Employee Payroll	\$ 1,156,451.00	\$ 1,090,080.00	\$ 1,101,019.00							
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	312.14%	277.57%	259.05%							
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Local)	47.93%	52.08%	48.72%							

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

BOARD OF EDUCATION
 BOROUGH OF DUNELLEN
 Schedule of District Contributions
 Last Ten Fiscal Years*

	Teachers' Pension and Annuity Fund (TPAF)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution**	N/A	N/A	N/A							
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A							
Contribution Deficiency (excess)	N/A	N/A	N/A							
District's Covered Employee Payroll	\$ 6,554,337.00	\$ 6,977,427.00	\$ 6,654,742.00							
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A							

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The District (employer) does not contribute to the plan.



	Public Employees Retirement System (PERS)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 133,225.00	\$ 112,446.00	\$ 113,429.00							
Contributions in Relation to the Contractually Required Contribution	(133,225.00)	(112,446.00)	(113,429.00)							
Contribution Deficiency (excess)	\$ -	\$ -	\$ -							
District's Covered Employee Payroll	\$ 1,156,451.00	\$ 1,090,080.00	\$ 1,101,019.00							
Contributions as a Percentage of Covered Employee Payroll	11.52%	10.32%	10.30%							

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION PART III**

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Teachers' Pension and Annuity Fund (TPAF)

Changes of Benefit Terms- The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members'

Changes of Assumptions- Mortality rates were based on the RP-2000 Health Mortality Table for Males or Females, as appropriate, with the adjustments for mortality improvements base on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality

Public Employees Retirement System (PERS)

Changes of Benefit Terms- The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of Assumptions- Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements form the base year of 2012 Based of Projection Scale AA.

OTHER SUPPLEMENTARY INFORMATION

SECTION E

SPECIAL REVENUE FUND

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund**

**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016**

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES					
State Sources		\$ -	\$ -	\$ -	\$ -
Federal Sources		559,899.00		559,899.00	
Local Sources		<u>3,287.00</u>	-	-	<u>3,287.00</u>
Total Revenues		<u>563,186.00</u>	<u>-</u>	<u>559,899.00</u>	<u>3,287.00</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	197,866.04	-	197,866.04	-
Other Purchased Services (400-500 series)	100-500	251,079.00	-	251,079.00	-
General Supplies	100-610	<u>18,749.83</u>	-	<u>15,462.83</u>	<u>3,287.00</u>
Total Instruction		<u>467,694.87</u>	<u>-</u>	<u>464,407.87</u>	<u>3,287.00</u>
Support Services:					
Personal Services - Salaries	200-100	10,373.00		10,373.00	
Personal Services - Employee Benefits	200-200	63,999.00		63,999.00	
Purchased Professional - Educational Services	200-320	4,500.00		4,500.00	
Other Purchased Services (400-500 series)	200-500	10,817.97	-	10,817.97	
Supplies and Materials	200-600	<u>5,801.16</u>	-	<u>5,801.16</u>	-
Total Support Services		<u>95,491.13</u>	<u>-</u>	<u>95,491.13</u>	<u>-</u>
Total Expenditures		<u>\$ 563,186.00</u>	<u>\$ -</u>	<u>\$ 559,899.00</u>	<u>\$ 3,287.00</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Special Revenue Fund

Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	Total	N.C.L.B.			I.D.E.A. Part B	
		Title I	Title II A	Title III	Basic	Preschool
REVENUES						
Federal Sources	\$ 559,899.00	\$ 257,033.00	\$ 31,579.00	\$ 13,306.00	\$ 251,079.00	\$ 6,902.00
Total Federal Revenues	<u>559,899.00</u>	<u>257,033.00</u>	<u>31,579.00</u>	<u>13,306.00</u>	<u>251,079.00</u>	<u>6,902.00</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	100-100 197,866.04	174,906.04	3,652.00	12,406.00	251,079.00	6,902.00
Other Purchased Services (400-500 series)	100-500 251,079.00					
General Supplies	100-600 15,462.83	14,717.83	-	745.00	-	-
Total Instruction	<u>464,407.87</u>	<u>189,623.87</u>	<u>3,652.00</u>	<u>13,151.00</u>	<u>251,079.00</u>	<u>6,902.00</u>
Support Services:						
Personal Services - Salaries	200-100 10,373.00		10,373.00			
Personal Services - Employee Benefits	200-200 63,999.00	63,999.00				
Purchased Professional - Educational Services	200-320 4,500.00	1,500.00	3,000.00			
Other Purchased Services (400-500 series)	200-500 10,817.97	1,910.13	10,817.97	155.00		
Supplies and Materials	200-600 5,801.16	1,910.13	3,736.03	155.00		
Total Support Services	<u>95,491.13</u>	<u>67,409.13</u>	<u>27,927.00</u>	<u>155.00</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 559,899.00</u>	<u>\$ 257,033.00</u>	<u>\$ 31,579.00</u>	<u>\$ 13,306.00</u>	<u>\$ 251,079.00</u>	<u>\$ 6,902.00</u>

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	<u>Total</u>	<u>BOE Donation</u>	<u>NJSBAIG Grant</u>
REVENUES			
Local Sources	\$ 3,287.00	\$ 500.00	\$ 2,787.00
Total Local Revenues	<u>\$ 3,287.00</u>	<u>\$ 500.00</u>	<u>\$ 2,787.00</u>
EXPENDITURES:			
Instruction:			
General Supplies	100-600 \$ 3,287.00	\$ 500.00	\$ 2,787.00
Total Instruction	<u>3,287.00</u>	<u>500.00</u>	<u>2,787.00</u>
Total Expenditures	<u>\$ 3,287.00</u>	<u>\$ 500.00</u>	<u>\$ 2,787.00</u>

SECTION F

CAPITAL PROJECTS FUND

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
**Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2016**

REVENUES AND OTHER FINANCING SOURCES

Transfer from Capital Reserve	\$ 400,000.00
Transfer from Maintenance Reserve	<u>219,215.00</u>
Total Revenues	<u>\$ 619,215.00</u>

EXPENDITURES AND OTHER FINANCING USES

Construction Services (450)	\$ 1,010,273.51
Total Expenditures	<u>\$ 1,010,273.51</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (391,058.51)
Fund Balance - July 1	<u>394,330.48</u>
Fund Balance - June 30	<u>\$ 3,271.97</u>

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Dunellen High School
From Inception and for the Year Ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 365,117.00	\$ -	\$ 365,117.00	\$ 365,117.00
Transfer from Enterprise Fund	140,000.00	-	140,000.00	140,000.00
Transfer from Capital Reserve	467,761.50	343,220.95	810,982.45	792,761.50
Transfer from Maintenance Reserve	-	219,215.00	219,215.00	237,435.95
Total Revenues	<u>\$ 972,878.50</u>	<u>\$ 562,435.95</u>	<u>\$ 1,535,314.45</u>	<u>\$ 1,535,314.45</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	\$ 100,650.66	\$ -	\$ 100,650.66	\$ 100,650.66
Construction Services (450)	625,547.36	809,116.43	1,434,663.79	1,434,663.79
Total Expenditures	<u>726,198.02</u>	<u>809,116.43</u>	<u>1,535,314.45</u>	<u>1,535,314.45</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 246,680.48</u>	<u>\$ (246,680.48)</u>	<u>\$ -</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	SP1140-040-14-1002			
Grant Date	4/23/2014			
Bond Authorization Date				
Bonds Authorized				
Bonds Issued				
Original Authorized Cost	\$ 972,878.50			
Additional Authorized Cost	\$ 562,435.95			
Revised Authorized Cost	\$ 1,535,314.45			
Percentage Increase over Original Authorized Cost	57.81%			
Percentage Completed	100.00%			
Original Target Completion Date	10/31/2014			
Revised Target Completion Date	12/31/2015			

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Lincoln Middle School
From Inception and for the Year Ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 77,523.00	\$ -	\$ 77,523.00	\$ 77,523.00
Transfer from Capital Reserve	55,937.36	-	55,937.36	55,937.36
Total Revenues	<u>\$ 133,460.36</u>	<u>\$ -</u>	<u>\$ 133,460.36</u>	<u>\$ 133,460.36</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	10,273.78	-	10,273.78	11,000.00
Construction Services (450)	123,186.58	-	123,186.58	122,460.36
Total Expenditures	<u>133,460.36</u>	<u>-</u>	<u>133,460.36</u>	<u>133,460.36</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	SP1140-040-14-1006			
Grant Date	4/23/2014			
Original Authorized Cost	\$ 133,460.36			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 133,460.36			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	100.00%			
Original Target Completion Date	10/31/2014			
Revised Target Completion Date	12/31/2014			

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
John P. Faber Elementary School
From Inception and for the Year Ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 116,375.00	\$ -	\$ 116,375.00	\$ 116,375.00
Transfer from Enterprise Fund	35,000.00	-	35,000.00	35,000.00
Transfer from Capital Reserve	161,686.14	56,779.05	218,465.19	218,465.19
Transfer from Maintenance Reserve	175,000.00	-	175,000.00	175,000.00
Total Revenues	<u>\$ 488,061.14</u>	<u>\$ 56,779.05</u>	<u>\$ 544,840.19</u>	<u>\$ 544,840.19</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	40,620.29	-	40,620.29	40,620.29
Construction Services (450)	299,790.85	201,157.08	500,947.93	504,219.90
Total Expenditures	<u>340,411.14</u>	<u>201,157.08</u>	<u>541,568.22</u>	<u>544,840.19</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 147,650.00</u>	<u>\$ (144,378.03)</u>	<u>\$ 3,271.97</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	SP1140-040-14-1003			
Grant Date	4/23/2014			
Bond Authorization Date				
Bonds Authorized				
Bonds Issued				
Original Authorized Cost	\$ 488,061.14			
Additional Authorized Cost	\$ 56,779.05			
Revised Authorized Cost	\$ 488,061.14			
Percentage Increase over Original Authorized Cost	11.63%			
Percentage Completed	99.40%			
Original Target Completion Date	10/31/2014			
Revised Target Completion Date	12/31/2015			

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Capital Projects Fund
Summary Statement of Project Expenditures
For the Fiscal Year Ended June 30, 2016**

<u>Project Title/Issue</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2016</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Various Improvements:				
Dunellen High School	\$ 1,535,314.45	\$ 726,198.02	\$ 809,116.43	\$ -
Lincoln Middle School	133,460.36	133,460.36	-	-
John P. Faber Elementary School	544,840.19	340,411.14	201,157.08	3,271.97
	-	-	-	-
	<u>\$ 2,213,615.00</u>	<u>\$ 1,200,069.52</u>	<u>\$ 1,010,273.51</u>	<u>\$ 3,271.97</u>

SECTION H

FIDUCIARY FUND

Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds-This agency fund are used to account for the payroll transactions of the school district and student activity funds.

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016**

<u>Schools</u>	<u>Balance June 30, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
Faber School	\$ 9,221.12	\$ 12,823.14	\$ 13,017.27	\$ 9,026.99
Senior High School	101,048.62	183,649.62	163,800.03	120,898.21
Athletic Fund	<u>(131.22)</u>	<u>27,862.92</u>	<u>28,257.00</u>	<u>(525.30)</u>
	<u>\$ 110,138.52</u>	<u>\$ 224,335.68</u>	<u>\$ 205,074.30</u>	<u>\$ 129,399.90</u>

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016**

	<u>Balance June 30, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
Payroll Deductions and Withholdings	\$ 94,240.20	\$ 4,595,370.83	\$ 4,684,797.05	\$ 4,813.98
Flexible Spending Account	3,257.71	2,266.68	1,190.41	4,333.98
Net Salaries and Wages	<u>9,055.33</u>	<u>5,474,787.97</u>	<u>5,474,232.69</u>	<u>9,610.61</u>
	<u>\$ 106,553.24</u>	<u>\$ 10,072,425.48</u>	<u>\$ 10,160,220.15</u>	<u>\$ 18,758.57</u>

SECTION I
LONG – TERM DEBT

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2016</u>		<u>Interest Rate</u>	<u>Balance June 30, 2015</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds of 2004	2/15/04	\$ 10,420,000.00				\$ 395,000.00	\$395,000.00	\$ -
School Bonds of 2012	12/12/2012	8,005,000.00	7/15/2016	\$ 440,000.00	3.00%	7,955,000.00	25,000.00	7,930,000.00
			7/15/2017	455,000.00	3.00%			
			7/15/2018	470,000.00	3.00%			
			7/15/2019	485,000.00	2.00%			
			7/15/2020	500,000.00	2.00%			
			7/15/2021	515,000.00	4.00%			
			7/15/2022	540,000.00	4.00%			
			7/15/2023	560,000.00	4.00%			
			7/15/2024	590,000.00	4.00%			
			7/15/2025	620,000.00	4.00%			
			7/15/2026	645,000.00	4.00%			
			7/15/2027	675,000.00	4.00%			
			7/15/2028	705,000.00	4.00%			
			7/15/2029	730,000.00	4.00%			
						\$ 8,350,000.00	\$420,000.00	\$ 7,930,000.00

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2016

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 712,125.00	\$ -	\$ 712,125.00	\$ 712,125.00	\$ -
Total Revenues	<u>712,125.00</u>		<u>712,125.00</u>	<u>712,125.00</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	292,125.00		292,125.00	292,125.00	-
Redemption of Principal	<u>420,000.00</u>		<u>420,000.00</u>	<u>420,000.00</u>	-
Total Regular Debt Service	<u>712,125.00</u>		<u>712,125.00</u>	<u>712,125.00</u>	-
Total Expenditures	<u>712,125.00</u>		<u>712,125.00</u>	<u>712,125.00</u>	-
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, July 1	<u>0.83</u>	<u>-</u>	<u>0.83</u>	<u>0.83</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 0.83</u>	<u>\$ -</u>	<u>\$ 0.83</u>	<u>\$ 0.83</u>	<u>\$ -</u>

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Position by Component
J-2	Changes in Net Position
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

Debt Capacity

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

Demographic and Economic Information

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Operating Information

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BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 10,160,602.25	\$ 9,227,073.52	\$ 7,596,046.56	\$ 7,046,996.15	\$ 8,652,743.29	\$ 8,782,038.35	\$ 8,990,699.20	\$ 9,203,207.39	\$ 9,428,037.01	\$ 9,383,900.08
Restricted	554,621.75	1,229,722.52	1,586,519.87	1,256,964.88	1,041,703.10	460,281.67	261,925.40	194,063.84	(61,504.17)	220,115.34
Unrestricted	(3,703,148.78)	(3,426,160.45)	(622,456.79)	(525,903.06)	(483,386.10)	(402,669.14)	(395,258.46)	(398,463.95)	(80,991.84)	(99,264.77)
Total Governmental Activities Net Position	\$ 7,012,075.22	\$ 7,030,635.59	\$ 8,560,109.64	\$ 7,776,057.97	\$ 9,211,060.29	\$ 8,839,650.88	\$ 8,657,366.14	\$ 8,998,827.28	\$ 9,285,541.00	\$ 9,504,750.65
Business-type activities										
Invested in Capital Assets, Net of Related Debt	\$ 93,101.66	\$ 63,223.76	\$ 31,007.72	\$ 6,850.00	\$ 9,843.89	\$ 5,351.74	\$ 6,696.09	\$ 8,040.44	\$ 9,384.69	\$ 10,729.04
Unrestricted	(14,925.13)	31,327.68	93,057.40	205,882.24	160,748.31	114,468.96	101,651.72	71,404.25	31,558.81	24,700.44
Total Business-Type Activities Net Position	\$ 78,176.53	\$ 94,551.44	\$ 124,065.12	\$ 212,732.24	\$ 170,592.20	\$ 119,820.70	\$ 108,547.81	\$ 79,444.69	\$ 40,943.50	\$ 35,429.48
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 10,253,703.91	\$ 9,290,297.28	\$ 7,627,054.28	\$ 7,053,846.15	\$ 8,662,587.18	\$ 8,787,390.09	\$ 8,997,395.29	\$ 9,211,247.83	\$ 9,437,421.70	\$ 9,394,629.12
Restricted	554,621.75	1,229,722.52	1,586,519.87	1,256,964.88	1,041,703.10	460,281.67	261,925.40	194,063.84	(61,504.17)	220,115.34
Unrestricted	(3,718,073.91)	(3,394,832.77)	(529,399.39)	(320,020.82)	(322,637.79)	(288,200.18)	(293,406.74)	(327,059.70)	(49,433.03)	(74,564.33)
Total District Net Position	\$ 7,090,251.75	\$ 7,125,187.03	\$ 8,684,174.76	\$ 7,990,780.21	\$ 9,381,652.49	\$ 8,959,471.58	\$ 8,965,913.95	\$ 9,078,271.97	\$ 9,328,484.50	\$ 9,840,180.13

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 9,257,507.08	\$ 7,843,983.66	\$ 7,248,614.66	\$ 7,066,515.94	\$ 7,430,285.05	\$ 7,170,731.21	\$ 7,131,892.22	\$ 6,817,572.73	\$ 7,053,365.91	\$ 6,937,711.92
Special Education	2,273,919.83	1,903,322.00	1,798,815.63	1,680,494.12	1,535,606.49	1,638,542.58	2,093,027.61	1,801,300.37	1,638,862.30	1,691,567.49
Other Instruction	897,046.87	697,161.34	655,042.46	691,001.88	620,691.58	583,818.23	612,702.37	607,861.27	599,038.58	581,561.39
Support Services:										
Tuition	1,047,738.06	1,059,861.89	941,609.14	1,261,365.75	1,189,457.15	1,040,496.07	1,074,639.63	863,478.74	674,718.18	614,133.20
Student and Instruction Related Services	3,027,680.69	2,437,944.86	2,398,008.30	1,992,426.81	1,757,926.67	1,866,129.97	1,848,549.42	1,690,952.41	1,560,885.03	1,453,871.21
School Administrative Services	1,170,751.91	1,101,739.09	1,153,602.71	913,123.05	1,001,478.46	950,705.35	956,704.80	946,390.70	856,974.53	871,807.92
General and Business Administrative Services	1,377,897.67	1,229,543.08	838,388.86	1,128,713.81	874,988.54	816,683.62	885,221.76	828,056.43	818,251.90	828,193.13
Plant Operations and Maintenance	1,399,567.46	1,339,699.50	1,215,452.33	1,402,989.42	1,335,684.23	1,380,279.25	1,288,643.80	1,497,595.00	1,519,344.80	1,129,226.80
Pupil Transportation	538,841.75	464,999.22	410,691.07	491,204.88	450,434.30	465,087.66	461,997.15	397,312.86	346,994.53	337,448.92
Charter Schools	32,564.00	15,151.00	18,250.00	25,333.15	7,109.00	7,109.00	-	7,484.00	-	-
Interest on Long-Term Debt	286,414.58	304,992.08	344,534.39	255,208.27	460,674.80	494,698.23	560,559.81	558,239.39	587,119.38	618,090.01
Debt Service-Other Charges	-	-	-	130,000.00	-	-	-	-	-	-
Debt Service Assessment	61,602.00	61,602.00	61,602.00	39,951.00	29,110.00	29,110.00	29,110.00	29,110.00	29,110.00	29,110.00
Total Governmental Activities Expenses	21,371,531.90	18,660,019.74	17,184,911.66	17,068,333.99	16,685,547.27	16,414,281.17	16,894,938.57	16,016,343.90	15,675,354.94	15,063,611.99
Business-Type Activities:										
Food Service	581,154.99	482,100.36	457,072.44	441,743.89	435,525.76	415,164.23	422,952.97	375,736.05	418,636.93	397,503.17
Total Business-Type Activities Expense	581,154.99	482,100.36	457,072.44	441,743.89	435,525.76	415,164.23	422,952.97	375,736.05	418,636.93	397,503.17
Total District-Wide Expenses	21,952,686.89	19,142,120.10	17,641,984.10	17,510,077.88	17,122,073.03	16,829,445.40	17,317,891.54	16,392,079.95	16,094,191.77	15,461,115.16
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	69,288.20	52,971.00	52,744.92	53,669.13	50,280.42	58,666.20	-	-	-	-
Operating Grants and Contributions	4,090,750.25	4,109,327.75	3,043,706.02	3,013,279.53	2,873,889.12	2,551,155.98	3,010,279.09	2,619,001.88	3,313,439.49	3,294,552.67
Total Governmental Activities Program Revenues	4,160,038.45	4,162,298.75	3,096,452.94	3,066,948.66	2,924,169.54	2,609,812.18	3,010,279.09	2,619,001.88	3,313,439.49	3,294,552.67

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 243,965.37	\$ 223,923.83	\$ 214,857.79	\$ 211,048.18	\$ 221,732.51	\$ 216,232.57	\$ 243,177.38	\$ 244,857.78	\$ 274,373.60	\$ 283,160.79
Operating Grants and Contributions	320,814.71	278,692.85	278,547.53	270,259.64	264,564.75	210,204.55	208,876.71	169,379.46	149,977.25	143,930.29
Total Business-Type Activities Program Revenues	564,780.08	502,616.68	493,405.32	481,307.82	486,297.26	426,437.12	452,056.09	414,237.24	424,350.85	407,081.08
Total District-Wide Program Revenues	4,724,795.53	4,664,885.43	3,589,858.26	3,548,256.48	3,410,466.80	3,036,249.30	3,462,335.18	3,033,239.12	3,737,780.34	3,701,633.75
Net (Expense)/Revenue										
Governmental Activities	(17,211,513.45)	(14,487,720.99)	(14,088,458.72)	(14,001,385.33)	(13,762,377.73)	(13,804,488.99)	(13,884,659.48)	(13,397,342.02)	(12,361,915.45)	(11,769,059.32)
Business-Type Activities	(18,374.91)	20,486.32	36,332.88	39,563.83	50,771.50	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91
Total District-Wide Net Expense	(17,227,888.36)	(14,477,234.67)	(14,052,125.84)	(13,961,821.40)	(13,711,606.23)	(13,793,196.10)	(13,855,556.36)	(13,358,840.83)	(12,356,401.43)	(11,759,481.41)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	9,931,548.00	9,288,944.00	9,107,789.00	8,929,205.00	8,754,123.00	8,543,395.00	8,354,094.00	8,126,326.00	8,022,128.00	7,688,256.00
Property Taxes, Levied for Debt Service Principal	427,585.42	783,086.92	685,263.63	799,180.73	614,944.20	549,401.77	466,244.78	430,863.61	415,968.62	346,599.99
Federal and State Aid not Restricted	6,733,705.35	5,503,013.09	4,882,144.57	4,752,198.55	4,692,919.80	4,638,896.32	4,808,702.52	4,434,649.07	3,639,866.44	3,429,830.36
Tuition (Other Than Special Schools)	-	-	-	-	-	-	45,321.83	-	-	-
Investment Earnings	100,114.31	-	30,362.93	3,294.11	4,636.01	5,302.07	7,672.37	19,877.40	24,603.05	31,867.93
Miscellaneous Income	-	-	39,951.00	24,490.16	67,166.33	48,756.57	61,162.85	105,112.22	40,061.69	8,542.64
Special Item - Adjustment to Capital Assets	-	50,000.00	125,000.00	-	-	-	-	-	-	-
Transfers	-	15,686,966.94	14,870,510.39	14,508,368.55	14,133,789.14	13,786,751.73	13,743,195.35	13,110,628.30	12,142,705.80	11,485,096.92
Total Governmental Activities	17,192,953.08	15,686,966.94	14,870,510.39	14,508,368.55	14,133,789.14	13,786,751.73	13,743,195.35	13,110,628.30	12,142,705.80	11,485,096.92
Business-Type Activities:										
Transfers	-	(50,000.00)	(125,000.00)	-	-	-	-	-	-	-
Total Business-Type Activities	-	(50,000.00)	(125,000.00)	-	-	-	-	-	-	-
Total District-Wide General Revenues	17,192,953.08	15,636,966.94	14,745,510.39	14,508,368.55	14,133,789.14	13,786,751.73	13,743,195.35	13,110,628.30	12,142,705.80	11,485,096.92
Change in Net Position										
Governmental Activities	(18,560.37)	1,189,245.95	782,051.67	506,983.22	371,411.41	(17,717.26)	(141,461.13)	(286,713.72)	(219,209.65)	(283,962.40)
Business-Type Activities	(18,374.91)	(29,513.68)	(68,667.12)	39,563.83	50,771.50	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91
Total District-Wide Change in Net Position	\$ (34,935.28)	\$ 1,159,732.27	\$ 693,384.55	\$ 546,547.15	\$ 422,182.91	\$ (6,444.37)	\$ (112,358.01)	\$ (248,212.53)	\$ (213,695.63)	\$ (274,384.49)

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,041,702.52	\$ 460,280.58	\$ 497,051.01	\$ 408,490.63	\$ 162,785.21	\$ 130,788.22
Unreserved	-	-	-	-	(105,241.88)	(37,567.55)	(199,768.29)	(203,683.12)	70,113.16	22,130.23
Restricted	150,000.00	583,291.41	1,231,757.41	1,020,893.50						
Assigned	401,348.95	252,099.80	285,952.52	207,587.80						
Unassigned	(178,579.29)	(284,536.07)	(175,195.31)	(172,088.81)						
Total General Fund	\$ 372,769.66	\$ 550,855.14	\$ 1,342,514.62	\$ 1,056,392.49	\$ 935,460.64	\$ 422,713.03	\$ 297,282.72	\$ 204,807.51	\$ 232,898.37	\$ 152,918.45
All Other Governmental Funds										
Unreserved, Reported In:										
Special Revenue Fund										
Capital Projects Fund	3,271.97	394,330.48	55,000.01	28,483.58	0.58	1.09	1.10	-	(2,747.85)	(2,747.85)
Debt Service Fund	0.83	0.83	0.83					0.87	4,630.87	330,224.99
Restricted, Reported In:										
Capital Projects Fund										
Debt Service Fund										
Assigned, Reported In:										
Capital Projects Fund										
All Other Governmental Funds	\$ 3,272.80	\$ 394,331.31	\$ 13,809.10	\$ 28,483.58	\$ 0.58	\$ 1.09	\$ 1.10	\$ 0.87	\$ 1,863.89	\$ 327,478.52
Total all Other Governmental Funds	\$ 376,042.46	\$ 945,186.45	\$ 1,411,324.56	\$ 1,084,876.07	\$ 935,461.22	\$ 422,714.12	\$ 297,283.82	\$ 204,808.38	\$ 234,762.26	\$ 480,396.97

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tax Levy	\$ 10,643,673.00	\$ 10,376,158.00	\$ 10,136,012.00	\$ 9,981,719.00	\$ 9,829,742.00	\$ 9,587,495.00	\$ 9,380,899.00	\$ 9,115,229.00	\$ 9,025,204.00	\$ 8,632,946.00
Tuition Charges	69,266.20	52,971.00	52,744.92	18,975.00	50,280.42	56,656.20	45,321.83			
Preschool Fees				34,694.13						
Interest Earnings	100,114.31	60,912.93	30,362.19	3,294.11	4,636.01	5,302.07	7,672.37	13,877.40	24,603.05	40,410.57
Miscellaneous	7,288,684.96	7,875,382.44	6,890,539.75	43,560.63	67,166.33	49,756.57	61,162.85	105,112.22	57,108.96	17,374.26
State Sources	599,276.08	577,233.32	692,353.47	6,905,989.53	6,389,381.92	6,055,624.61	5,707,717.68	6,022,016.10	5,870,420.37	5,683,808.22
Federal Sources	18,681,016.53	18,742,967.69	17,802,012.33	17,575,317.21	17,067,958.68	16,396,563.91	16,753,477.44	15,729,630.18	15,456,145.29	14,779,849.59
Total Revenues										
Expenditures										
Instruction										
Regular Instruction	5,042,670.15	5,018,078.90	4,944,335.30	4,935,460.31	4,673,148.95	4,563,908.83	4,589,422.37	4,434,751.74	4,390,892.03	4,250,445.67
Special Education Instruction	1,337,392.38	1,290,653.63	1,307,406.82	1,248,223.94	1,111,537.74	1,214,298.27	1,678,213.32	1,400,082.67	1,189,899.68	1,233,848.94
Other Instruction	526,119.03	583,716.53	558,028.29	505,186.04	468,395.06	501,435.78	530,744.87	466,007.68	444,098.90	434,664.33
Support Services:										
Tuition	1,047,739.06	1,059,861.89	941,609.14	1,261,365.75	1,189,457.15	1,040,466.07	1,074,639.63	863,478.74	674,718.18	614,133.20
Student and Instruction Related Services	1,815,612.30	1,682,056.81	1,721,585.88	1,488,089.59	1,328,668.33	1,376,199.68	1,366,656.24	1,317,610.42	1,180,307.53	1,055,427.84
School Administrative Services	629,052.80	623,873.96	640,800.71	652,090.25	714,349.63	897,583.86	703,173.41	668,850.87	584,348.33	608,299.68
General and Business Administrative Services	893,097.17	857,591.68	764,277.03	670,763.97	663,488.88	648,880.93	682,531.42	657,153.55	617,314.75	631,689.45
Plant Operations and Maintenance	1,281,952.66	1,253,184.99	1,195,269.16	1,263,242.63	1,258,781.07	1,279,871.73	1,242,528.59	1,443,868.08	1,463,997.47	1,078,628.75
Pupil Transportation	538,841.75	464,989.22	408,196.03	486,423.17	444,566.86	459,208.01	456,695.93	392,256.58	342,256.82	333,550.25
Employee Benefits	4,321,119.71	3,878,767.76	3,712,487.48	3,617,745.68	3,350,077.40	3,171,078.44	3,047,740.21	2,801,565.24	3,210,600.73	3,251,156.76
Charter Schools	32,564.00	15,151.00	18,250.00	25,933.15		7,109.00				
Capital Outlay	1,010,273.51	1,143,878.63	77,872.25	2,795.00	33,313.00	7,766.00	8,815.24		340,228.07	893,685.60
Capital Outlay-Debt Service Assessment	61,602.00	61,602.00	61,602.00	39,951.00	29,110.00	50,056.00				
Debt Service:										
Principal	420,000.00	955,000.00	890,000.00	810,000.00	805,000.00	745,000.00	740,000.00	675,000.00	665,000.00	600,000.00
Interest and Other Charges	292,125.00	320,390.00	359,043.75	289,231.88	475,317.51	508,243.01	539,840.76	570,006.01	599,097.51	629,683.76
Bond Issuance Costs				100,840.80						
Advance to Refunding Escrow				809,291.65						
Escrow Interest-2012 Refunding				130,000.00						
Total Expenditures	19,250,160.52	19,258,805.80	17,600,563.84	18,336,034.81	16,545,211.58	16,271,133.61	16,661,001.99	15,759,604.07	15,701,780.00	15,615,314.23
Excess (Deficiency) of Revenues	(569,143.99)	(516,138.11)	201,448.49	(760,717.80)	512,747.10	125,430.30	92,475.45	(29,973.89)	(245,614.71)	(635,664.64)
Over (Under) Expenditures										

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other Financing Sources (uses)										
Payment to Refunded Bond Escrow Agent	\$ -	\$ -	\$ -	\$ (7,975,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunded Bonds Issued	-	-	-	8,005,000.00	-	-	-	-	-	-
Premium Issued	-	-	-	880,132.45	-	-	-	-	-	-
Transfers In	619,215.00	910,385.00	125,000.00	-	-	-	-	-	12,191.68	21,162.37
Transfers Out	(619,215.00)	(860,385.00)	-	-	-	-	-	-	(12,191.68)	(21,162.37)
Total Other Financing Sources (Uses)	\$ -	\$ (466,138.11)	\$ 329,448.49	\$ 149,414.85	\$ 512,747.10	\$ 125,430.30	\$ 92,475.45	\$ (29,973.89)	\$ (245,614.71)	\$ (835,664.64)
Net Change in Fund Balances										
Debt Service as a Percentage of Noncapital Expenditures	3.90%	7.04%	7.13%	6.00%	7.75%	7.71%	7.69%	7.93%	8.23%	8.35%

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ending June 30,	Annual Totals	Prior Year			Interest	Miscellaneous
		Tuition	Refunds			
2007	\$ 19,248.20	\$ -	\$ 6,651.23	\$ 10,705.56	\$ 1,891.41	
2008	81,710.00			24,603.05	57,106.95	
2009	118,989.62			13,877.40	105,112.22	
2010	114,157.05	45,321.83		7,672.37	61,162.85	
2011	82,700.17	58,656.20	14,267.18	5,302.07	4,474.72	
2012	94,261.13	50,280.42	30,582.77	4,636.01	8,761.93	
2013	40,110.39	18,975.00		3,294.11	17,841.28	
2014	73,135.81	52,744.92	9,935.37	3,098.35	7,357.17	
2015	103,900.69	52,971.00	24,244.79	2,712.79	23,972.11	
2016	166,095.51	69,268.20	28,382.32	1,838.53	66,606.46	

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2006	633,600	123,550,100		13,920,000	3,581,575	1,448,500	143,133,775	813,249	143,947,024	580,980,045	5.743
2007	528,200	124,002,800		13,755,800	3,669,600	1,448,500	143,404,900	646,200	144,051,100	640,684,705	6.137
2008	629,000	124,392,000		13,452,550	3,374,700	1,623,800	143,472,050	594,075	144,066,125	650,483,881	6.295
2009	508,300	124,775,150		13,701,800	3,374,700	1,623,800	143,983,750	620,077	144,603,827	724,000,200	6.395
2010	437,600	124,963,050		13,521,700	3,597,200	1,623,800	144,143,350	659,819	144,803,169	680,482,726	6.550
2011	459,900	124,839,650		14,039,300	3,136,300	1,623,800	144,098,950	672,862	144,771,812	643,137,863	6.706
2012	459,900	125,004,750		14,136,300	3,136,300	1,585,800	144,323,050	729,187	145,052,237	626,388,719	6.830
2013	682,300	124,567,150		14,244,100	3,136,300	1,514,200	144,144,050	26	144,144,076	569,449,462	6.979
2014	664,000	124,540,800		14,292,400	3,136,300	1,514,200	144,147,700	26	144,147,726	553,084,033	7.115
2015	581,200	124,891,400		14,232,100	3,136,300	1,514,200	144,355,200	26	144,355,226	568,041,053	7.281

Source: Municipal Tax Assessor

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County		
2005	4.461	0.776	5.237	2.098	1.150	8.485	
2006	4.881	0.862	5.743	2.370	1.197	9.310	
2007	5.283	0.854	6.137	2.873	1.300	10.310	
2008	5.418	0.877	6.295	2.992	1.441	10.728	
2009	5.521	0.874	6.395	3.011	1.477	10.883	
2010	5.835	0.715	6.550	3.350	1.397	11.297	
2011	5.840	0.866	6.706	3.537	1.364	11.607	
2012	6.082	0.748	6.830	3.455	1.486	11.771	
2013	6.243	0.736	6.979	3.280	1.512	11.771	
2014	6.368	0.747	7.115	3.278	1.525	11.918	
2015	6.667	0.061	7.281	3.331	1.564	12.176	

Source: Municipal Tax Collector

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**

**Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited**

Fiscal Year Ended June 30,	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Dunellen Associates	\$ 2,100,000	1.46%	\$ 2,100,000	1.47%
Provident Savings Bank	404,400	0.28%	594,000	0.42%
Verizon	309,000	0.21%		0.00%
Sunrise Industries	400,000	0.28%	453,000	0.32%
Retail Development Assoc.	401,600	0.28%	401,600	0.28%
A & M Gardens, Inc.	375,000	0.26%	375,000	0.26%
UMI Enterprises	374,000	0.26%	400,000	0.28%
Friend Well Plaza	855,100	0.59%		0.00%
Valstir, LLC		0.00%	300,000	0.21%
Peter J. Riccio	322,000	0.22%	322,000	0.23%
Summit Federal Savings	236,000	0.16%		0.00%
Ronald Papieo	309,000	0.21%	309,000	0.22%
Petra Heleniak	300,800	0.21%	300,800	0.21%
Sumo Real Estate Holding	300,000	0.21%		0.00%
Total	\$ 6,686,900	4.64%	\$ 5,555,400	3.89%

Source: Municipal Tax Assessor

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 13,325,754 (A)	\$ 13,325,754	100.00%		\$13,325,754	100.00%
2007	14,181,203 (A)	14,177,732	99.97%		14,177,732	99.97%
2008	14,799,613 (A)	14,769,428	99.79%		14,769,428	99.79%
2009	15,930,215 (A)	15,430,011	96.86%		15,856,801	99.53%
2010	7,985,521 (B)	7,775,602	97.37%	274,248	8,049,850	100.80%
2011	16,854,316 (C)	16,553,248	98.21%	265,424	16,818,672	99.78%
2012	17,104,262 (C)	16,711,318	97.70%	424,296	17,135,614	100.18%
2013	17,012,809 (C)	16,648,433	97.85%	331,388	16,979,821	99.80%
2014	17,221,450 (C)	16,850,960	97.84%	354,237	17,205,197	99.90%
2015	17,605,328 (C)	17,314,496	98.34%			

(A) State Fiscal Year
(B) Transition Year (July 1, 2009-December 31, 2009)
(C) Calendar Year

Source: Municipal Tax Collector

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Capital Leases	Bond Anticipation Notes (BANs)	Business-Type Activities	Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases						
2007	\$14,605,000						\$ 14,605,000	4.56%	2,119
2008	13,940,000						13,940,000	4.15%	2,001
2009	13,265,000						13,265,000	4.09%	1,874
2010	12,525,000						12,525,000	3.72%	1,732
2011	11,780,000						11,780,000	3.31%	1,620
2012	10,975,000						10,975,000	2.98%	1,500
2013	10,195,000						10,195,000	2.75%	1,383
2014	9,305,000						9,305,000	2.39%	1,255
2015	8,885,000						8,885,000	2.23%	1,196
2016	7,930,000						7,930,000	N/A	

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2007	\$ 14,605,000	\$ 14,605,000	10.14%	2,119
2008	13,940,000	13,940,000	9.68%	2,001
2009	13,265,000	13,265,000	9.17%	1,874
2010	12,525,000	12,525,000	8.65%	1,732
2011	11,780,000	11,780,000	8.14%	1,620
2012	10,975,000	10,975,000	7.57%	1,500
2013	10,195,000	10,195,000	7.07%	1,383
2014	9,305,000	9,305,000	6.46%	1,255
2015	8,350,000	8,350,000	5.78%	1,124
2016	7,930,000	7,930,000		

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Direct and Overlapping Governmental Activities Debt
As of December 31, 2015
Unaudited

Net Direct Debt of School District as of December 31, 2015	\$ 7,930,000.00
Net Overlapping Debt of School District: Borough of Dunellen (100%)	\$ 6,290,271.39
County of Middlesex - Borough's share (.5779%)	3,066,853.29
Middlesex County Improvement Authority (.5779%)	<u>1,960,331.26</u>
	<u>11,317,455.93</u>
Total Direct and Overlapping Debt as of December 31, 2015	<u>\$ 19,247,455.93</u>

Source: Borough of Dunellen Chief Financial Officer and Middlesex County Treasurer's Office

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized Valuation Basis		
2013	\$ 569,449,462.00	
2014	553,084,033.00	
2015	568,041,093.00	
	<u>\$ 1,690,574,548.00</u>	
Average Equalized Valuation of Taxable Property	\$ 563,524,849.33	
Debt Limit (4 % of \$567,792,037.00)	\$ 22,540,993.97	
Total Net Debt Applicable to Limit	7,930,000.00	
Legal Debt Margin	<u>\$ 14,610,993.97</u>	

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 26,837,484.45	\$ 25,306,256.67	\$ 23,883,355.89	\$ 22,711,681.48	\$ 22,540,993.97
Total Net Debt Applicable to Limit	11,780,000.00	11,780,000.00	10,195,000.00	9,305,000.00	7,930,000.00
Legal Debt Margin	<u>15,057,484.45</u>	<u>13,526,256.67</u>	<u>13,688,355.89</u>	<u>13,406,681.48</u>	<u>14,610,993.97</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	43.89%	46.55%	42.69%	40.97%	35.18%

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 20,016,759.63	\$ 22,773,996.76	\$ 25,665,364.43	\$ 27,503,532.80	\$ 27,893,497.59
Total Net Debt Applicable to Limit	15,205,000.00	14,605,000.00	13,940,000.00	13,265,000.00	12,525,000.00
Legal Debt Margin	<u>4,811,759.63</u>	<u>8,168,996.76</u>	<u>11,725,364.43</u>	<u>14,238,532.80</u>	<u>15,368,497.59</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	75.96%	64.13%	54.31%	48.23%	44.90%

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

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	6,849	\$ 302,684,706	\$ 44,194	7.10%
2007	6,891	320,562,429	46,519	6.30%
2008	6,966	336,095,568	48,248	8.40%
2009	7,080	324,469,320	45,829	12.90%
2010	7,231	336,762,132	46,572	12.90%
2011	7,270	355,379,410	48,883	12.50%
2012	7,319	367,860,259	50,261	12.70%
2013	7,371	370,518,057	50,267	3.70%
2014	7,414	389,131,204	52,486	3.70%
2015	7,431	397,558,500	53,500 (E)	4.90%

(E) Estimate

Sources:

Population information provided by the NJ Dept of Labor and Workforce Development.
 Personal income has been estimated based upon the municipal population and per capita personal income presented.
 Per capita personal income by municipality estimated based upon the 2000 Census published by the U. S. Bureau of Economic Analysis.
 Unemployment data provided by the NJ Dept of Labor and Workforce Development.

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**

**Principal Employers
Current Year and Nine Years Ago
Unaudited**

NOT AVAILABLE

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2007</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>
Instruction										
Regular	91	94	94	80	80	83	83	83	83	83
Special Education	16	19	19	23	23	25	26	26	27	28
Other Instruction	4	6	6	9.3	9.3	9.3	9.3	10.3	10.3	10.3
School Sponsored/Other Instructional	4	5	5	2	2	2	2	2	2	3
Support Services:										
Tuition	0	0	0	0	0	0	0	0	0	0
Student and Instruction Related Services	18	19	19	12	12	12	12	12	12	12
School Administrative Services	11	12	12	11.5	11.5	11.5	11.5	11.5	12.5	12.5
General and Business Administrative Services	6	6	6	2	2	2	2	2	2	2
Central Services				4.3	4.3	4.3	4.3	4.3	4.3	4.3
Administrative Information Technology				2	2	2	2	2	2	2
Plant Operations and Maintenance	2	2	2	1	1	1	1	1	1	2
Pupil Transportation										
Special Schools										
Food Service				0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	<u>152</u>	<u>163</u>	<u>163</u>	<u>147.4</u>	<u>147.4</u>	<u>152.4</u>	<u>153.4</u>	<u>154.4</u>	<u>156.4</u>	<u>159.4</u>

Source: District Personnel Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School	Senior High School				
2007	1080.0	\$ 13,491,945	\$12,493	9.73%	108	1:13	1:19	1:15	1:15	1076.7	1,017.1	-4.28%	94.46%
2008	1090.0	14,097,434	12,933	3.53%	110	1:13	1:19	1:15	1:15	1088.8	1,034.9	1.12%	95.05%
2009	1101.0	14,453,232	13,127	1.50%	112	1:13	1:19	1:15	1:15	1103.8	1,051.3	1.38%	95.24%
2010	1152.5	15,372,346	13,338	1.61%	108	1:10	1:13.4	1:09	1:09	1120.6	1,066.5	1.52%	95.17%
2011	1131.0	14,960,067	13,227	-0.83%	108	1:11.2	1:15.3	1:13.5	1:13.5	1109.4	1,056.6	-1.00%	95.24%
2012	1176.5	15,202,471	12,922	-2.31%	106	1:12.4	1:12.4	1:12.4	1:12.4	1152.2	1,096.8	3.86%	95.19%
2013	1179.0	16,150,924	13,699	6.01%	107	1:12	1:12	1:12	1:12	1144.4	1,088.8	-0.68%	95.14%
2014	1168.0	16,212,246	13,880	1.33%	108	1:12	1:12	1:12	1:12	1150.6	1,091.5	0.54%	94.87%
2015	1155.0	16,777,935	14,526	4.65%	109	1:12	1:12	1:12	1:12	1158.9	1,102.3	0.72%	95.12%
2016	1127.0	17,466,160	15,498	6.69%	110	1:12	1:12	1:12	1:12	1127.0	1,087.6	-2.75%	96.50%

Source: District records

Note: Enrollment based on annual October district count.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

School Building Information
Last Ten Fiscal Years
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>	Not Available									
<u>Elementary</u>										
John P. Faber										
Square Feet	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961
Capacity (students)	610	610	610	610	610	610	610	610	610	610
Enrollment	520	523	523	562	560	570	546	551	556	512
<u>Middle School</u>										
Lincoln Middle School										
Square Feet	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248
Capacity (students)	301	301	301	301	301	301	301	301	301	301
Enrollment	258	273	273	258	260	259	277	277	280	289
<u>High School</u>										
Dunellen High School										
Square Feet	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881
Capacity (students)	432	432	432	432	432	432	432	432	432	432
Enrollment	318	304	304	320	303	332	322	323	319	345

Number of Schools at June 30, 2016

Elementary = 1

Middle School = 1

Senior High School = 1

Source: District Facilities Office

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**
General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited

Undistributed Expenditures--Required
Maintenance for School Facilities
11-000-261-xxx

*School Facility	<u>Pending Projects</u> (w/DOE Project #)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Dunellen High School	\$ 96,805	\$ 63,792	\$ 70,372	\$ 79,842	\$ 84,222	\$ 87,163	\$ 64,476	\$ 79,654	\$ 75,456	\$ 68,408
John P. Faber School	92,405	60,892	67,173	76,213	80,394	83,200	61,545	76,033	72,026	65,132
Lincoln Middle School	30,802	20,297	22,391	25,404	26,798	27,733	20,515	25,344	24,008	15,967
Total School Facilities	\$ 220,012	\$ 144,981	\$ 159,936	\$ 181,459	\$ 191,414	\$ 198,096	\$ 146,536	\$ 181,031	\$ 171,490	\$ 149,507

*School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

**BOARD OF EDUCATION
BOROUGH OF DUNELLEN**

**Insurance Schedule
As of June 30, 2016
Unaudited**

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Educational Risk and Insurance Consortium - North		
Property - Blanket Building & Contents	\$ 62,319,560.00	\$ 5,000.00
Environmental	1,000,000.00	25,000.00
Crisis Management	1,000,000.00	
Beazley Breach Response Sevices	1,000,000.00	
Extra Expense	50,000,000.00	5,000.00
Valuable Papers	10,000,000.00	5,000.00
Comprehensive General Liability	6,000,000.00	
Comprehensive Automotive Liability	6,000,000.00	
Comprehensive		1,000.00
Collision		1,000.00
Computer & Scheduled Equipment	1,000,000.00	5,000.00
Equipment Breakdown	100,000,000.00	1,000.00
School Leaders Errors and Omissions Liability	5,000,000.00	5,000.00
Workers Compensation:		
Employers Liability Insurance		
Bodily Injury by Accident	2,000,000.00	each accident
Bodily Injury by Disease	2,000,000.00	each employee
Bodily Injury by Disease	2,000,000.00	policy limit
Faithful Performance Bond	25,000.00	500.00
Money & Securities	10,000.00	500.00
Money Orders/Counterfeit	10,000.00	500.00

Source: District Records

Single Audit Section

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

INDEPENDENT AUDITORS' 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"

The Honorable President
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with 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 Board of Education of the Borough of Dunellen School District as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Dunellen School District's basic financial statements as listed in the table of contents and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

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 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.

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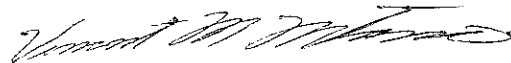
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Vincent M. Montanino
Registered Municipal Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2016

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AS REQUIRED BY FEDERAL UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

The Honorable President
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Dunellen School District's compliance with the types of compliance requirements described in the New Jersey State Aid/Grants Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016. The Borough of Dunellen School District'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 federal and state statutes, regulations, and the terms and conditions applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Dunellen School District'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 Governmental Auditing Standards, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 15-08 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and New Jersey's OMB's Circular Letter 15-08 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 Borough of Dunellen School District'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 on the Borough of Dunellen School District's compliance.

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Opinion on Each Major Federal and State Program

In our opinion, the Board of Education of the Borough of Dunellen School District, in the County of Middlesex, State of New Jersey, 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, 2016.

Report on Internal Control Over Compliance

The management of the Borough of Dunellen School District 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 Borough of Dunellen School District'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 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 Federal Uniform Guidance and NJ OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Dunellen School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Dunellen School District'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 a 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 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

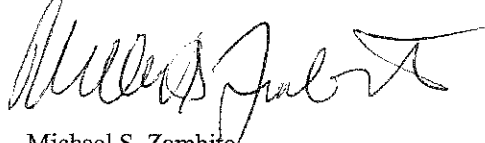
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of Federal Uniform Guidance and NJOMB 15-08. Accordingly, this report is not suitable for any other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

Report on Schedule of Expenditures of Federal Awards Required by Federal 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 Borough of Dunellen School District, as of and for the fiscal year ended June 30, 2016 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 30, 2016, 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 Federal 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 the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



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License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2016

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2015	Adjustments	Cash Received	Disbursements	BUDGETARY EXPENDITURES		Total	Accounts Receivable	Balance June 30, 2016	Due to Grantor
								Accounts Payable	Encumbrances				
U.S. Department of Health & Human Services: Medicaid Reimbursement Total U.S. Department of Treasury	93.778	7/1/15-6/30/16	\$ 39,377.06	\$ -	\$ -	\$ 29,678.93	\$ 39,377.06	\$ -	\$ -	\$ 39,377.06	\$ (12,698.13)	\$ -	\$ -
U.S. Department of Agriculture Passed - Through State Department of Education:													
Food Distribution Program	10.550	7/1/15-6/30/16	43,082.82	412.59		43,082.82	41,203.11			41,203.11			
School Breakfast Program	10.553	7/1/15-6/30/16	45,806.75			42,681.04	45,806.75			45,806.75	(3,125.71)		2,292.40
School Breakfast Program	10.553	7/1/14-6/30/15	32,563.18	(2,710.78)		2,710.78							
National School Lunch Program	10.555	7/1/15-6/30/16	225,925.80			213,672.11	225,925.80			225,925.80	(12,253.69)		
National School Lunch Program	10.555	7/1/14-6/30/15	216,864.36	(14,226.52)		14,226.52							
Total U.S. Department of Agriculture				(16,524.61)		316,373.27	312,935.66			312,935.66	(15,379.40)		2,292.40
U.S. Department of Education Passed - Through State Department of Education:													
N.C.L.B. Title I	84.010A	7/1/15-6/30/16	257,033.00			257,033.00	254,462.26			257,033.00			
N.C.L.B. Title II A	84.367A	7/1/15-6/30/16	31,579.00			31,579.00	28,248.00			31,579.00			
N.C.L.B. Title III	84.365A	7/1/15-6/30/16	13,306.00			13,306.00	13,166.54			13,306.00			
I.D.E.A. Part B, Basic	84.027A	7/1/15-6/30/16	251,079.00			251,079.00	251,079.00			251,079.00			
I.D.E.A. Part B, Preschool	84.179A	7/1/15-6/30/16	6,902.00			6,902.00	6,902.00			6,902.00			
Total U.S. Department of Education						559,899.00	553,857.80	6,041.20		559,899.00			
Total Federal Financial Assistance				\$ (16,524.61)	\$ -	\$ 902,951.20	\$ 906,170.52	\$ 6,041.20	\$ -	\$ 912,211.72	\$ (28,077.53)	\$ 2,292.40	\$ -

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2016

State Grantor/Program Title State Department of Education:	Grant or State Project/Number	Grant Period	Award Amount	Balance July 1, 2015	Adjustments	Cash Received	BUDGETARY EXPENDITURES		Total	Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2016 Deferred Revenue	Due to Grantor
							Disbursements	Accounts Payable					
General Funds:													
Equalization Aid	16-495-034-5120-076	7/1/15-6/30/16	\$ 4,487,536.00	\$ (433,804.00)	\$ -	\$ 4,054,008.00	\$ 4,487,536.00	\$ -	\$ 4,487,536.00	\$ -	\$ (433,528.00)	\$ -	\$ -
Equalization Aid	16-495-034-5120-076	7/1/14-6/30/15	4,487,536.00	18,828.00		433,804.00	18,828.00		18,828.00		(1,890.00)		
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	18,828.00	(1,890.00)		1,890.00	18,828.00		18,828.00		(69,435.00)		
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	694,377.00	(69,435.00)		624,842.00	694,377.00		694,377.00		(5,547.00)		
Special Education Aid	16-495-034-5120-089	7/1/14-6/30/15	694,377.00	69,435.00		69,435.00	69,435.00		69,435.00		(15,936.00)		
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	55,425.00	(5,547.00)		49,878.00	55,425.00		55,425.00		(1,162.00)		
Security Aid	16-495-034-5120-084	7/1/14-6/30/15	55,425.00	5,547.00		143,370.00	159,306.00		159,306.00		(1,162.00)		
Under Adequacy Aid	16-495-034-5120-098	7/1/15-6/30/16	15,936.00	(15,936.00)		10,456.00	11,620.00		11,620.00		(93,694.00)		
Under Adequacy Aid	16-495-034-5120-098	7/1/14-6/30/15	15,936.00	11,620.00		1,162.00	11,620.00		11,620.00		(35,547.00)		
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	11,620.00	(1,162.00)		10,456.00	11,620.00		11,620.00		(661,596.00)		
PARCC Readiness Aid	16-495-034-5120-098	7/1/14-6/30/15	11,620.00	1,162.00		1,162.00	11,620.00		11,620.00		(585,625.00)		
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	11,620.00	(1,162.00)		10,456.00	11,620.00		11,620.00		(622,354.00)		
Per Pupil Growth Aid	16-495-034-5120-097	7/1/14-6/30/15	11,620.00	1,162.00		1,162.00	11,620.00		11,620.00		(312.38)		
Extraordinary Aid	16-100-034-5120-473	7/1/15-6/30/16	93,694.00	(93,694.00)		35,547.00	93,694.00		93,694.00		(312.38)		
Extraordinary Aid	16-100-034-5120-473	7/1/14-6/30/15	93,694.00	93,694.00		518,781.96	518,781.96		518,781.96		(672,666.39)		
Reimbursed TPAF Social Security Contributions	16-100-034-5094-003	7/1/15-6/30/16	518,781.96	(35,547.00)		661,596.00	661,596.00		661,596.00		(622,666.39)		
Reimbursed TPAF Social Security Contributions	16-100-034-5094-003	7/1/14-6/30/15	518,781.96	35,547.00		555,625.00	555,625.00		555,625.00		(622,666.39)		
On-Behalf TPAF PRM Contributions	16-495-034-5095-001	7/1/15-6/30/16	661,596.00			661,596.00	661,596.00		661,596.00				
On-Behalf TPAF PRM Contributions	16-495-034-5095-001	7/1/14-6/30/15	661,596.00			555,625.00	555,625.00		555,625.00				
On-Behalf TPAF Pension Contributions	16-495-034-5094-006	7/1/15-6/30/16	585,625.00			7,210,537.96	7,289,409.96		7,289,409.96				
On-Behalf TPAF Pension Contributions	16-495-034-5094-006	7/1/14-6/30/15	585,625.00			5,999.34	5,999.34		5,999.34				
Total General Funds			\$ 664,483.00	\$ (390.92)	\$ -	\$ 7,216,515.84	\$ 7,274,409.30	\$ -	\$ 7,274,409.30	\$ -	\$ (622,666.39)	\$ -	\$ -
Enterprise Funds:													
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	5,999.34			5,999.96	5,999.34		5,999.34				
State School Lunch Program	16-100-010-3350-023	7/1/14-6/30/15	5,824.16	390.92		390.92	390.92		390.92				
Total All Funds			\$ 664,483.00	\$ (390.92)	\$ -	\$ 7,216,515.84	\$ 7,274,409.30	\$ -	\$ 7,274,409.30	\$ -	\$ (622,666.39)	\$ -	\$ -
State Financial Assistance Not Subject To Major Program Determination:													
General Funds:													
On-Behalf TPAF PRM Contributions	16-100-034-5095-001	7/1/15-6/30/16	861,596.00			861,596.00	861,596.00		861,596.00				
On-Behalf TPAF PRM Contributions	16-100-034-5094-006	7/1/15-6/30/16	585,625.00			585,625.00	585,625.00		585,625.00				
Total State Financial Assistance Subject to Single Audit			\$ 664,483.00	\$ (390.92)	\$ -	\$ 5,999,394.84	\$ 6,057,187.30	\$ -	\$ 6,057,187.30	\$ -	\$ (622,666.39)	\$ -	\$ -

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Borough of Dunellen School District Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state 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 of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of Federal Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent year due to the state deferral and recording of one or more June 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, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$276.00 in the general fund and \$0.00 in the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 39,377.06	\$7,268,684.96	\$7,308,062.02
Special Revenue Fund	559,899.00		559,899.00
Food Service Fund	<u>314,815.37</u>	<u>5,999.34</u>	<u>320,814.71</u>
Total Awards and Financial Assistance	<u>\$914,091.43</u>	<u>\$7,274,684.30</u>	<u>\$8,188,775.73</u>

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension and Post Retirement Medical Contributions represents the amounts paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

Note 6: On-Behalf Programs Not Subject to State Single Audit

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments 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 basic financial statements and the amount subject to State single audit and major program determination.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor’s Results

Financial Statement Section

- D) Type of auditor’s report issued: Unmodified
- E) Internal Control over financial reporting:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? _____yes X no
- F) Noncompliance material to basic financial statements noted? _____yes X no

Federal Awards Section

- G) Dollar threshold used to determine Type A Programs \$750,000.00 _____
- E) Auditee qualified as low-risk auditee? X yes _____no _____n/a
- F) Type of auditor’s report on compliance for major programs: Unmodified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? _____yes X no
- H) Any audit findings disclosed that are required To be reported in accordance with Federal Uniform Guidance? _____yes X no
- I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA Part B, Basic
84.173	IDEA Preschool
10.553	School Breakfast Program
10.555	National School Lunch Program

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)

Part I – Summary of Auditor’s Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A Programs \$750,000.00 _____
- K) Auditee qualified as low-risk auditee? _____ yes X no _____ n/a
- L) Type of auditor’s report on compliance for major programs: _____ Unmodified _____
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? _____ yes _____ X no
- 3) Were significant deficiencies identified that were not considered to be material weaknesses? _____ yes _____ X no
- N) Any audit findings disclosed that are required To be reported in accordance with N.J. OMB Circular 15-08? _____ yes _____ X no

O) Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____ 16-495-034-5120-078 _____	STATE AID CLUSTER: _____ Equalization Aid _____
_____ 16-495-034-5120-089 _____	_____ Special Education Aid _____
_____ 16-495-034-5120-084 _____	_____ Security Aid _____
_____ 16-495-034-5120-096 _____	_____ Under Adequacy Aid _____
_____ 16-495-034-5120-097 _____	_____ Per Pupil Growth Aid _____
_____ 16-495-034-5120-098 _____	_____ PARCC Readiness Aid _____
_____ 16-495-034-5120-014 _____	_____ Transportation Aid _____
_____	_____

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

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

Not Applicable

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance 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 by Federal Uniform Guidance and New Jersey OMB's Circular 15-08.

Not Applicable

BOARD OF EDUCATION
BOROUGH OF DUNELLEN SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2016

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, Federal Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Not Applicable