

WEST ORANGE BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

West Orange, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

West Orange Board of Education

West Orange, New Jersey

For The Fiscal Year Ended June 30, 2016

Prepared by

Business Office

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INTRODUCTORY SECTION

West Orange Board of Education

West Orange, New Jersey

Jeffrey S. Rutzky
Superintendent of Schools

John Calavano
Business Administrator

November 21, 2016

The Honorable President and Members
of the Board of Education
West Orange School District
County of Essex, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the West Orange School District (the "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 (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. 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 Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, 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 and U.S. Uniform Guidance, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The West Orange School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The West Orange School District and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in West Orange Township. These include regular as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 6,798 students, which is an increase of 66 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: West Orange continues to react to the adverse economic condition of the State of New Jersey and the country. West Orange School District has enjoyed a positive reputation in the education community due primarily to the success of our graduates. State testing continues to demonstrate the District's ability to meet the needs of our community. The trend of additional financial support from the state and federal governments has continued, if somewhat lessened. This money combined with the great support of the community through property taxes continues to provide for an exemplary school system.

The Honorable President and Members of
the Board of Education
West Orange School District
Page 2
November 21, 2016

3) MAJOR INITIATIVES: Coping with the financial restraints imposed by the State of New Jersey is the major challenge for the Board of Education and administration of the District. The needs of the students are increasing as well as the expectations on these students as they enter the workplace or ongoing education environments.

The goal of the business office to identify and achieve cost savings in all areas of the budget. Some items utilized include:

- Ongoing cooperation with other schools within the state to purchase energy and telephone services.
- Ongoing cooperative purchasing with other schools in the state to acquire office, instructional and custodial supplies.
- Ongoing cooperation with the Township of West Orange for the purchase of fuel and road salt and shared expenditures such as emergency shelter and lining of fields.
- Participating with educational service commissions and utilizing NJ State contracts to reduce costs in other areas of purchasing.
- Negotiating with the represented groups in the District to realize savings in salary and benefits costs.

Other initiatives pursued by the District include:

- Develop a 5 year plan that addresses the current overcrowding at the elementary school level and prepare the district for potential increases in student enrollment.
- Adopt a new K-5 and 6-8 science program that align to the Next Generation Science Standards (NJGSS).
- Develop an assessment framework that includes the development and implementation of quality benchmark assessments and frequent and consistent progress monitoring that will close gaps in student performance.
- Align curriculum in English Language Arts and Mathematics to the newly adopted Student Learning Standards.
- Continue the expansion of the K-12 STEAM curriculum that combines problem solving project-based learning.
- Update facilities to support current and future technological needs in PreK-12 and ensure access for every student.
- Increase student achievement to ensure that all students are challenged and engaged in quality instructional programs, as measured by statewide assessments.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state award programs, as well as to determine that the District has complied with major applicable laws, regulations, contracts and grants.

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 Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2016.

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

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". 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 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.


The Honorable President and Members of
the Board of Education
West Orange School District
Page 4
November 21, 2016

The District is a member of the New Jersey Schools Insurance Group (NJSIG). The NJSIG is a risk-sharing public entity risk pool that is both insured and self-administered group of school districts established for the purpose of providing low cost insurance coverage to its members. Additional information about NJSIG is included in "Notes to the Financial Statements". The Board has chosen a self-insurance program for its workers' compensation claims up to \$450,000 (individually and in the aggregate) and has purchased commercial excess coverage for all claims above the self-insured retention amount.

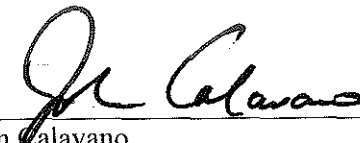
10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related U.S. Uniform Guidance, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the West Orange School Board 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 the financial and accounting staff.

Respectfully submitted,

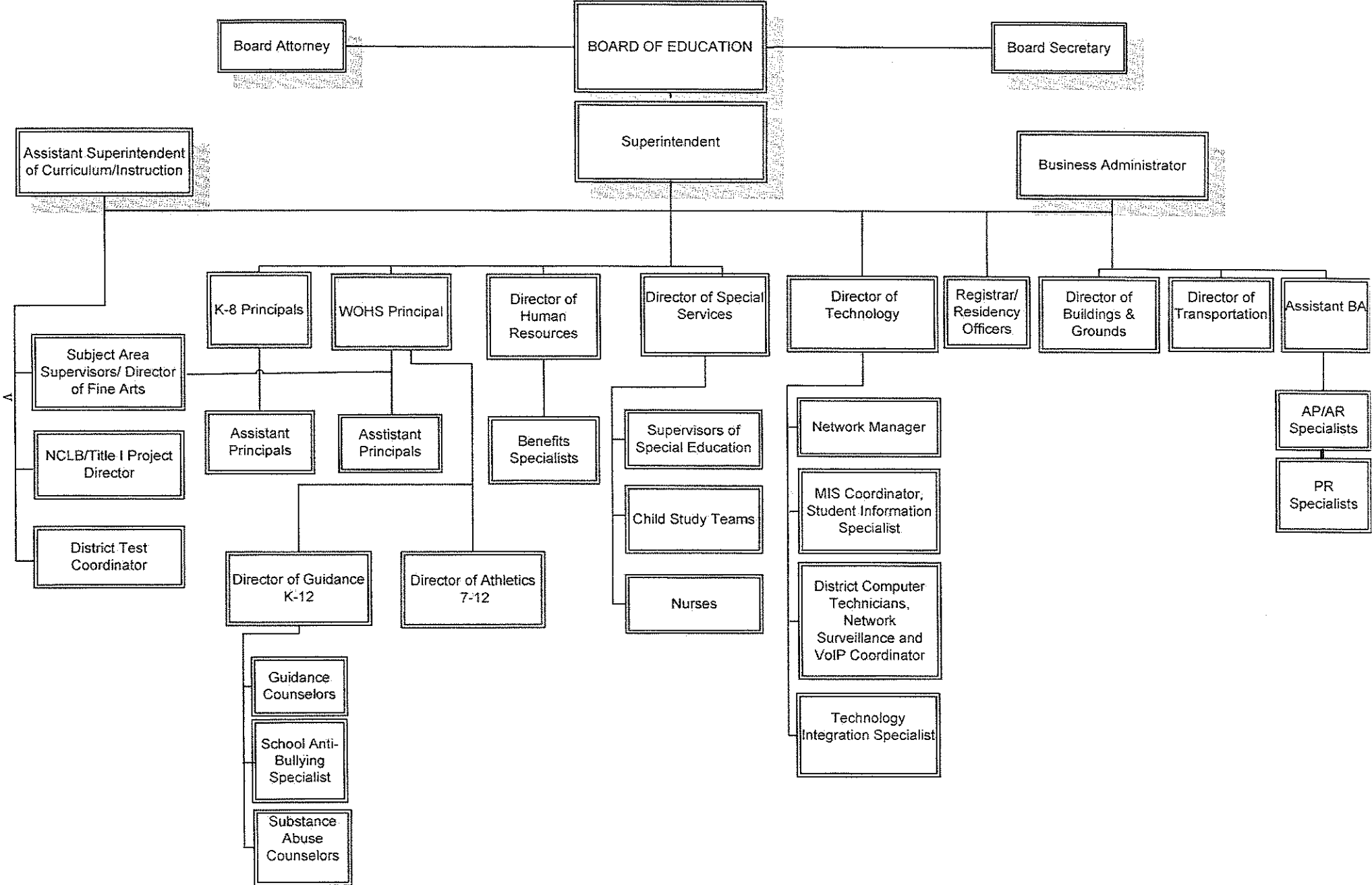


Jeffrey S. Rutzky
Superintendent of Schools



John Calavano
Business Administrator/Board Secretary

WEST ORANGE PUBLIC SCHOOLS
ORGANIZATION CHART (2015-16)



**WEST ORANGE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

Members of the Board of Education

Term Expires

Laura Lab, President

2018

Mark Robertson, Vice President

2017

Ronald Charles

2019

Sandra Mordecai

2017

Irving Schwarzbaum

2019

Other Officers

Title

Jeffrey Rutzky

Superintendent of Schools

John Calavano

Board Secretary/School Business Administrator

Joseph Antonucci

Treasurer

Stephen J. Christiano, Esq.

Board Attorney

WEST ORANGE SCHOOL DISTRICT
Consultants and Advisors

Attorney

Matthew Giacobbe
Cleary Giacobbe Alfieri Jacobs LLC
5 Ravine Drive
Matawan, NJ 07747

Auditor

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, New Jersey 07410

Bond Counsel

McManimon & Scotland, L.L.C.
75 Livingston Avenue
2nd Floor
Roseland, New Jersey 07068

Official Depositories

PNC Bank
Main Street Branch
West Orange, New Jersey 07052

TD Bank
Pleasant Valley Way
West Orange, New Jersey 07052

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
West Orange Board of Education
West Orange, 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 West Orange Board of Education, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Orange Board of Education as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

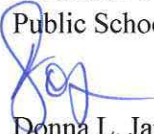
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2016 on our consideration of the West Orange Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the West Orange Board of Education's internal control over financial reporting and compliance.

Leach, Vinci & Higgins, LLP

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



Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEST ORANGE BOARD OF EDUCATION
WEST ORANGE, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

This section of the West Orange Board of Education' comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on 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 follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- The liabilities and deferred inflows of resources of the West Orange Board of Education exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$36,771,211 (net position).
- Overall revenues were \$181,223,319 General revenues accounted for \$134,270,525 or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$46,952,794 or 26% of total revenues.
- The school district had \$180,990,001 in expenses for governmental activities; only \$43,102,680 of these expenses was offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$134,270,491 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$13,529,814.
- The General Fund fund balance at June 30, 2016 was \$4,710,151 a decrease of \$789,741 when compared with the beginning balance at July 1, 2015 of \$5,499,892.

**WEST ORANGE BOARD OF EDUCATION
WEST ORANGE, NEW JERSEY**

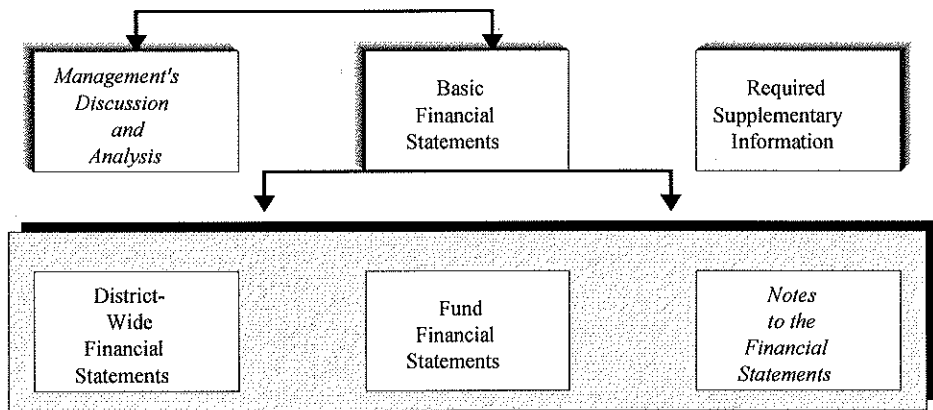
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The Governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses.
 - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The chart below shows how the various parts of this annual report are arranged and related to one another.



**WEST ORANGE BOARD OF EDUCATION
WEST ORANGE, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The table summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as regular and special education and building maintenance, food service and community education.	Activities the district operates similar to private businesses: Enterprise funds	Instances in which the district administers resources on behalf of someone else, such as Unemployment, Payroll Agency, and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability/Deferred inflows/outflows of resources information	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	Generally assets expected to be utilized and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows/inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources– is one way to measure the District's financial health or position.

**WEST ORANGE BOARD OF EDUCATION
WEST ORANGE, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

District-Wide Financial Statements (continued)

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business Type Activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and Summer Enrichment Fund are included under this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The District establishes other funds in accordance with the State of New Jersey Uniform Chart of Accounts to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

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Fund Financial Statements (continued)

Enterprise Funds – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds:

- Food Service (Cafeteria)
- Summer Enrichment Fund

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

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

Other Information

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$36,771,211) and (\$33,196,980) as of June 30, 2016 and June 30, 2015, respectively.

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By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position
As of June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u> (Restated)	<u>2016</u>	<u>2015</u> (Restated)	<u>2016</u>	<u>2015</u> (Restated)
Current Assets	\$ 15,814,060	\$ 8,034,204	\$ 917,136	\$ 822,140	\$ 16,731,196	\$ 8,856,344
Capital Assets, Net	<u>71,236,094</u>	<u>71,496,079</u>	<u>717,879</u>	<u>837,743</u>	<u>71,953,973</u>	<u>72,333,822</u>
Total Assets	<u>87,050,154</u>	<u>79,530,283</u>	<u>1,635,015</u>	<u>1,659,883</u>	<u>88,685,169</u>	<u>81,190,166</u>
Deferred Amounts on Refunding of Debt	2,979,785	3,302,119	-	-	2,979,785	3,302,119
Deferred Amounts on Net Pension Liability	<u>8,018,314</u>	<u>3,098,404</u>	<u>-</u>	<u>-</u>	<u>8,018,314</u>	<u>3,098,404</u>
Total Deferred Outflows of Resources	<u>10,998,099</u>	<u>6,400,523</u>	<u>-</u>	<u>-</u>	<u>10,998,099</u>	<u>6,400,523</u>
Total Assets and Deferred Outflows of Resources	<u>98,048,253</u>	<u>85,930,806</u>	<u>1,635,015</u>	<u>1,659,883</u>	<u>99,683,268</u>	<u>87,590,689</u>
Long-Term Liabilities	131,680,792	114,461,821	-	-	131,680,792	114,461,821
Other Liabilities	<u>3,142,283</u>	<u>5,310,586</u>	<u>412,734</u>	<u>480,201</u>	<u>3,555,017</u>	<u>5,790,787</u>
Total Liabilities	<u>134,823,075</u>	<u>119,772,407</u>	<u>412,734</u>	<u>480,201</u>	<u>135,235,809</u>	<u>120,252,608</u>
Deferred Amounts on Net Pension Liability	<u>1,218,670</u>	<u>2,510,958</u>	<u>-</u>	<u>-</u>	<u>1,218,670</u>	<u>2,510,958</u>
Total Deferred Inflows of Resources	<u>1,218,670</u>	<u>2,510,958</u>	<u>-</u>	<u>-</u>	<u>1,218,670</u>	<u>2,510,958</u>
Total Liabilities and Deferred Inflows of Resources	<u>136,041,745</u>	<u>122,283,365</u>	<u>412,734</u>	<u>480,201</u>	<u>136,454,479</u>	<u>122,763,566</u>
Net Investment in Capital Assets	5,013,062	6,206,060	717,879	837,743	5,730,941	7,043,803
Restricted	367,589	689,187	-	-	367,589	689,187
Unrestricted	<u>(43,374,143)</u>	<u>(41,271,909)</u>	<u>504,402</u>	<u>341,939</u>	<u>(42,869,741)</u>	<u>(40,929,970)</u>
Total Net Position	<u>\$ (37,993,492)</u>	<u>\$ (34,376,662)</u>	<u>\$ 1,222,281</u>	<u>\$ 1,179,682</u>	<u>\$ (36,771,211)</u>	<u>\$ (33,196,980)</u>

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**Changes in Net Position
For The Fiscal Years Ended June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 332,145	\$ 311,761	\$ 1,769,320	\$ 1,747,459	\$ 2,101,465	\$ 2,059,220
Operating Grants and Contributions	42,770,535	35,456,743	2,080,794	1,886,516	44,851,329	37,343,259
General Revenues						
Property Taxes	131,410,895	130,137,941			131,410,895	130,137,941
State Aid	2,268,165	5,253,271			2,268,165	5,253,271
Other	591,431	262,098	34	15	591,465	262,113
Total Revenues	<u>177,373,171</u>	<u>171,421,814</u>	<u>3,850,148</u>	<u>3,633,990</u>	<u>181,223,319</u>	<u>175,055,804</u>
Expenses						
Instruction						
Regular	74,210,221	77,479,168			74,210,221	77,479,168
Special Education	32,776,729	15,851,405			32,776,729	15,851,405
Vocational Education-Tuition	175,783				175,783	-
School Sponsored Activities and Athletics	5,293,464	3,331,767			5,293,464	3,331,767
Other Instruction	2,687,502	1,465,571			2,687,502	1,465,571
Support Services						
Tuition		7,361,760				
Student and Instruction Related Services	21,589,825	18,851,833			21,589,825	18,851,833
School Administrative Services	8,729,484	10,968,183			8,729,484	10,968,183
General Administrative Services	2,373,226	2,135,783			2,373,226	2,135,783
Plant Operations and Maintenance	16,421,279	15,505,138			16,421,279	15,505,138
Pupil Transportation	9,025,725	8,696,611			9,025,725	8,696,611
Business and Other Support Services	4,484,056	2,789,473			4,484,056	2,789,473
Interest on Long-Term Debt	3,222,707	2,977,679			3,222,707	2,977,679
Transfer of Funds to Charter Schools		255,172				255,172
Unallocated Depreciation		5,121,756				5,121,756
Food Service	-	-	3,679,776	3,448,198	3,679,776	3,448,198
Other-Business Activities	-	-	127,773	133,754	127,773	133,754
Total Expenses	<u>180,990,001</u>	<u>172,791,299</u>	<u>3,807,549</u>	<u>3,581,952</u>	<u>184,797,550</u>	<u>169,011,491</u>
Change in Net Position	(3,616,830)	(1,369,485)	42,599	52,038	(3,574,231)	(1,317,447)
Net Position, Beginning of Year (Restated)	(34,376,662)	24,145,685	1,179,682	356,349	(33,196,980)	24,502,034
Prior Period Adjustment	-	(57,152,862)	-	771,295	-	(56,381,567)
Net Position, End of Year	<u>\$ (37,993,492)</u>	<u>\$ (34,376,662)</u>	<u>\$ 1,222,281</u>	<u>\$ 1,179,682</u>	<u>\$ (36,771,211)</u>	<u>\$ (33,196,980)</u>

Prior to the fiscal year ended June 30, 2016 the District did not allocate certain expenses such as tuition, depreciation and transfer of funds to charter schools.

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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

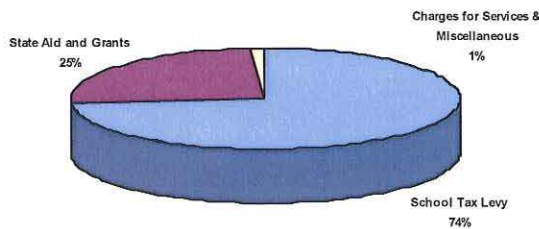
Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$177,373,171 and \$171,421,814 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. Property taxes of \$131,410,895 and \$130,137,941 represented 74% and 76% of revenues. Another portion of revenues came from State and Federal aid; total State, Federal and formula aid was \$45,038,700 and \$40,710,014 which was represented 25% and 24% of the revenues for fiscal years ended June 30, 2016 and 2015, respectively. The significant increase in this revenue type is attributable to the adjustment to the On-Behalf TPAF contribution to recognize the actuarially determined amount that should have been contributed on behalf of the District. This adjustment increases both the revenues and expenses of the governmental activities. The balance of revenues for fiscal year June 30, 2016 and 2015, respectively is charges for services (\$332,145) and (\$311,761) and miscellaneous income (\$584,629 and \$256,959), and investment earning (\$6,802) and (\$5,139).

The total cost of all governmental activities programs and services was \$180,990,001 and \$172,791,299 for the fiscal years ended June 30, 2016 and 2015, respectively. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$115,143,699 and \$98,127,911 (64% and 57%) of total expenses for each of the fiscal years, respectively. Student and Instruction Related Services totaled \$21,589,825 and \$18,851,833 or (12% and 11%) of total expenses. Plant operations and maintenance services totaled \$16,421,279 and \$15,505,138 (9% of total expenses. Administrative services were \$15,586,766 and \$15,893,439 or (9%) of total expenses. Pupil transportation totaled \$9,025,725 and \$8,696,611 (5%), respectively of total expenses. Interest on long-term debt accounted for \$3,222,707 and \$2,977,679 (1%) of total expenses.

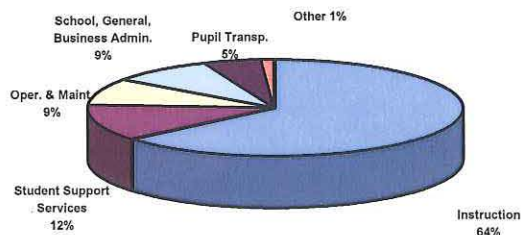
Prior to 2015/16, the District did not allocate certain expenses by function which explains the significant fluctuations in expenditures by functional category.

Total governmental activities expenses exceed revenues resulting in net position decreasing \$3,616,830 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year 2016



Expenses by Type- Governmental Activities
For Fiscal Year 2016



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Total and Net Cost of Governmental Activities. The District's total cost of services was \$180,990,001 and \$172,791,299 for the fiscal years ended June 30, 2016 and 2015. After applying program revenues, derived from charges for services of \$332,145 and \$311,761, and operating grants and contributions of \$42,770,535 and \$35,456,743, the net cost of services of the District is \$137,887,321 and \$137,022,795, respectively

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction				
Regular	\$ 74,210,221	\$ 77,479,168	\$ 51,230,062	\$ 58,229,972
Special Education	32,776,729	15,851,405	18,844,168	9,730,030
Vocational Education-Tuition	175,783		175,783	
School Sponsored Activities and Athletics	5,293,464		3,658,736	
Other Special Education		3,331,767		3,331,767
Other Instruction	2,687,502	1,465,571	2,005,212	1,465,571
Support Services				
Tuition		7,361,760		6,861,701
Student and Instruction Related Services	21,589,825	18,851,833	20,675,812	14,777,366
School Administrative Services	8,729,484	10,968,183	7,183,884	8,842,966
General Administrative Services	2,373,226	2,135,783	2,373,226	1,994,829
Plant Operations and Maintenance	16,421,279	15,505,138	16,036,569	13,423,256
Pupil Transportation	9,025,725	8,696,611	8,479,524	7,747,334
Business and Other Support Services	4,484,056	2,789,473	4,484,056	2,263,396
Transfer of Funds to Charter Schools		255,172		255,172
Unallocated Depreciation		5,121,756		5,121,756
Interest on Long-Term Debt	<u>3,222,707</u>	<u>2,977,679</u>	<u>2,740,289</u>	<u>2,977,679</u>
Total	<u>\$ 180,990,001</u>	<u>\$ 172,791,299</u>	<u>\$ 137,887,321</u>	<u>\$ 137,022,795</u>

Business-Type Activities – The District's total business-type activities revenues were \$3,850,148 and \$3,633,990 for the fiscal years ended June 30, 2016 and 2015, respectively. Charges for services accounted for 46% and 48% of total revenues for the fiscal years, respectively. Operating grants and contributions of \$2,080,794 and \$1,886,516 accounted for 54% and 52% of total revenue for each of the fiscal years. The balance of the revenues, \$34 and \$15, represents investment earnings.

The total cost of all business-type activities programs and services was \$3,807,549 and \$3,581,952 for the fiscal years ended June 30, 2016 and 2015. The District's expenses are related to Food Service programs provided to all students, teachers and administrators and the operation of the Summer Enrichment Program within the District.

Total business-type activities revenues exceeded expenses increasing net position by \$42,599 over the last year.

**WEST ORANGE BOARD OF EDUCATION
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**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year ended June 30, 2016, its governmental funds reported a combined fund balance of \$13,529,814. At June 30, 2015, the fund balance was \$5,540,307.

Revenues and other financing sources for the District's governmental funds were \$200,708,525, while total expenditures and other financing uses were \$192,719,018 thereby increasing fund balance by \$7,989,507 for the fiscal year ended June 30, 2016.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>	Amount of Increase (Decrease)	Percent Change
Local Sources				
Property Tax Levy	\$ 126,326,356	\$ 125,184,960	\$ 1,141,396	1%
Interest	6,362	5,139	1,223	24%
State/Federal Sources	22,583,368	22,235,754	347,614	2%
Miscellaneous	<u>916,774</u>	<u>568,720</u>	<u>348,054</u>	61%
Total General Fund Revenues	<u>\$ 149,832,860</u>	<u>\$ 147,994,573</u>	<u>\$ 1,838,287</u>	1%

Total General Fund Revenues increased by \$1,838,287 or 1% over the previous year.

Local property taxes increased 1% over the previous year. State and federal aid revenues increased \$347,614 or 2% predominantly attributable to an increase in state On-Behalf TPAF pension costs contributed by the state.

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Interest income revenues increased due to an increase in interest rates on bank balances and higher available cash balances.

Miscellaneous revenues increased primarily due to onetime revenues such as cancellation of a prior year payable for a decline in loss case reserves.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2016</u>	Fiscal Year Ended <u>June 30, 2015</u>	Amount of Increase (Decrease)	Percent Change
Instruction	\$ 94,424,437	\$ 62,771,059	\$ 31,653,378	50%
Support and Undistributed Services	54,637,991	82,929,555	(28,291,564)	-34%
Capital Outlay	893,225	3,449,907	(2,556,682)	-74%
Transfer to Charter School		255,172	(255,172)	-100%
Debt Service	<u>666,948</u>	<u>-</u>	<u>666,948</u>	100%
Total Expenditures	<u>\$ 150,622,601</u>	<u>\$ 149,405,693</u>	<u>\$ 1,216,908</u>	1%

*Prior to 2015/16 the District did not allocate unallocated budgetary expenditures, tuition or transfers to charter schools by function for GAAP financial statement presentation which explains the significant fluctuations in expenditures by functional category.

Total General Fund expenditures increased \$1,216,908 or 1% from the previous year.

In 2015-2016, General Fund expenditures exceeded revenues by \$789,741. As a result, total fund balance decreased to \$4,710,151 at June 30, 2016. After deducting transfers and reserves, the unrestricted, unassigned fund balance decreased from \$2,368,040 at June 30, 2015 to a deficit balance of \$314,101 at June 30, 2016. A large portion of this difference was due to the fact that in previous years the District was realizing the current year Extraordinary Aid on both a budgetary and a GAAP basis. In accordance with GAAP and GASB accounting principles, the District is not permitted to recognize revenues for state aid which are not funded in the current year State of NJ budget appropriations. In addition, for the fiscal year ended June 30, 2016 the District had significant encumbrances for potential unsettled contracts and tuition reimbursements

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

Revenues of the Special Revenue Fund were \$3,306,647 for the year ended June 30, 2016. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 85% of the total revenue for the year.

Total Special Revenue Fund revenues decreased \$467,060 or 12% from the previous year. State sources decreased \$236 or less than 1% and Federal sources decreased \$430,118 or 13%. Local sources decreased \$36,706.

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**Management's Discussion and Analysis
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Expenditures of the Special Revenue Fund were \$3,306,647. Instructional expenditures were \$3,306,647 or 100% of total expenditures.

Capital Projects - The capital projects revenues and other financing sources were more than expenditures by \$8,605,089 increasing fund balance to \$8,605,089 at June 30, 2016. The increase is primarily due to lease purchase agreements in which proceeds for energy savings incentive programs, acquisition of school vehicles and the acquisition of chromebooks funds have not been expended prior to year end.

Proprietary Funds

The District maintains the Enterprise Funds to account for activities which are supported in part through user fees.

Enterprise Fund - The District uses Enterprise Funds to report activities related to the Food Services programs as well as the Summer Enrichment Program. The District's Enterprise Funds provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating prior year purchase orders being carried over.

**WEST ORANGE BOARD OF EDUCATION
WEST ORANGE, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$71,953,973 (net of accumulated depreciation). The capital assets consist of land improvements, buildings and building improvements, construction in progress, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2015-2016 amounted to \$3,859,542 for governmental activities and \$119,864 for business-type activities.

Capital Assets at June 30, 2016 and 2015
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u> (Restated)	<u>2016</u>	<u>2015</u> (Restated)	<u>2016</u>	<u>2015</u> (Restated)
Land	\$ 4,565,829	\$ 4,565,829			\$ 4,565,829	\$ 4,565,829
Construction in Progress	2,706,332				2,706,332	-
Site Improvements	5,627,681	5,628,496			5,627,681	5,628,496
Building and Building Improvements	51,619,253	53,625,858			51,619,253	53,625,858
Machinery and Equipment	<u>6,716,999</u>	<u>7,675,896</u>	<u>\$ 717,879</u>	<u>\$ 837,743</u>	<u>7,434,878</u>	<u>8,513,639</u>
Total Capital Assets, Net	<u>\$ 71,236,094</u>	<u>\$ 71,496,079</u>	<u>\$ 717,879</u>	<u>\$ 837,743</u>	<u>\$ 71,953,973</u>	<u>\$ 72,333,822</u>

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

LONG TERM LIABILITIES

At year end, the District's long-term liabilities of the governmental activities consisted of compensated absences payable of \$2,137,703, claims and judgments payable of \$311,992; bonds payable of \$34,421,781, lease purchase agreements ("COPS") payable of \$31,185,000, capital leases/lease purchase agreements payable of \$12,856,478, deferred pension obligation payable of \$457,645, net pension liability – Essex County of \$220,610 and net pension liability – PERS payable of \$50,089,583.

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

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-2017 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing special education costs, out of district tuition, tuition for charter schools, energy and employee related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, West Orange Board of Education, 179 Eagle Rock Ave., West Orange, NJ 07052.

BASIC FINANCIAL STATEMENTS

WEST ORANGE BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,876,135	\$ 730,365	\$ 6,606,500
Restricted Cash with Fiscal Agents	8,676,136		8,676,136
Receivables, net			
Receivables from Other Governments	1,108,321	136,306	1,244,627
Accounts Receivable	153,468	16,586	170,054
Inventory		33,879	33,879
Capital Assets			
Not Being Depreciated	7,272,161		7,272,161
Being Depreciated, net	<u>63,963,933</u>	<u>717,879</u>	<u>64,681,812</u>
Total Assets	<u>87,050,154</u>	<u>1,635,015</u>	<u>88,685,169</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	2,979,785	-	2,979,785
Deferred Amounts on Net Pension Liability	<u>8,018,314</u>	<u>-</u>	<u>8,018,314</u>
Total Deferred Outflows of Resources	<u>10,998,099</u>	<u>-</u>	<u>10,998,099</u>
Total Assets and Deferred Outflows of Resources	<u>98,048,253</u>	<u>1,635,015</u>	<u>99,683,268</u>
LIABILITIES			
Accounts Payable and Other Liabilities	2,213,812	316,956	2,530,768
Intergovernmental Payable	44,120		44,120
Accrued Interest Payable	858,037		858,037
Unearned Revenue	26,314	95,778	122,092
Noncurrent Liabilities			
Due Within One Year	4,620,159		4,620,159
Due Beyond One Year	<u>127,060,633</u>	<u>-</u>	<u>127,060,633</u>
Total Liabilities	<u>134,823,075</u>	<u>412,734</u>	<u>135,235,809</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,218,670</u>	<u>-</u>	<u>1,218,670</u>
Total Liabilities and Deferred Inflows of Resources	<u>136,041,745</u>	<u>412,734</u>	<u>136,454,479</u>
NET POSITION			
Net Investment in Capital Assets	5,013,062	717,879	5,730,941
Restricted for:			
Capital Projects	152,575		152,575
Other Purposes	215,014		215,014
Unrestricted	<u>(43,374,143)</u>	<u>504,402</u>	<u>(42,869,741)</u>
Total Net Position	<u>\$ (37,993,492)</u>	<u>\$ 1,222,281</u>	<u>\$ (36,771,211)</u>

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

**WEST ORANGE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction							
Regular	\$ 74,210,221	\$ 69,225	\$ 22,910,934		\$ (51,230,062)		\$ (51,230,062)
Special Education	32,776,729	262,920	13,669,641		(18,844,168)		(18,844,168)
Vocational-Instruction	175,783				(175,783)		(175,783)
Other Instruction	5,293,464		1,634,728		(3,658,736)		(3,658,736)
School Sponsored Activities and Athletics	2,687,502		682,290		(2,005,212)		(2,005,212)
Support Services							
Student and Instruction Related Services	21,589,825		914,013		(20,675,812)		(20,675,812)
School Administrative Services	8,729,484		1,545,600		(7,183,884)		(7,183,884)
General Administrative Services	2,373,226				(2,373,226)		(2,373,226)
Plant Operations and Maintenance	16,421,279		384,710		(16,036,569)		(16,036,569)
Pupil Transportation	9,025,725		546,201		(8,479,524)		(8,479,524)
Business and Other Support Services	4,484,056				(4,484,056)		(4,484,056)
Interest on Long-Term Debt and Other Charges	3,222,707	-	482,418	-	(2,740,289)	-	(2,740,289)
Total Governmental Activities	180,990,001	332,145	42,770,535	-	(137,887,321)	-	(137,887,321)
Business-Type Activities:							
Summer Enrichment	127,773	145,768				\$ 17,995	17,995
Food Service	3,679,776	1,623,552	2,080,794	-	-	24,570	24,570
Total Business-Type Activities	3,807,549	1,769,320	2,080,794	-	-	42,565	42,565
Total Primary Government	\$ 184,797,550	\$ 2,101,465	\$ 44,851,329	\$ -	(137,887,321)	42,565	(137,844,756)

Continued

**WEST ORANGE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (137,887,321)	\$ 42,565	\$ (137,844,756)
General Revenues			
Taxes:			
Property Taxes, Levied for General Purposes	126,326,356		126,326,356
Taxes Levied for Debt Service	5,084,539		5,084,539
Unrestricted State Aid	1,785,747		1,785,747
State Aid Restricted for Debt Service	482,418		482,418
Investment Earnings	6,802	34	6,836
Miscellaneous Income	584,629	-	584,629
Total General Revenues	134,270,491	34	134,270,525
Change in Net Position	(3,616,830)	42,599	(3,574,231)
Net Position Beginning of Year (Restated)	(34,376,662)	1,179,682	(33,196,980)
Net Position End of Year	\$ (37,993,492)	\$ 1,222,281	\$ (36,771,211)

FUND FINANCIAL STATEMENTS

**WEST ORANGE BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents	\$ 5,661,561			\$ 214,574	\$ 5,876,135
Receivables, Net					
Receivables From Other Governments	500,054	\$ 608,267			1,108,321
Accounts	120,800				120,800
Due from Other Funds	290,222				290,222
Restricted Cash with Fiscal Agents	<u>-</u>	<u>-</u>	\$ 8,676,136	<u>-</u>	<u>8,676,136</u>
 Total Assets	 <u>\$ 6,572,637</u>	 <u>\$ 608,267</u>	 <u>\$ 8,676,136</u>	 <u>\$ 214,574</u>	 <u>\$ 16,071,614</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,202,307	\$ 284,002	\$ 71,047		\$ 1,557,356
Due to Other Funds	27,362	257,554			284,916
Payable to State Governments	2,723	41,397			44,120
Unearned Revenue	1,000	25,314	-	-	26,314
Claims and Judgments Payable	<u>629,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,094</u>
 Total Liabilities	 <u>1,862,486</u>	 <u>608,267</u>	 <u>71,047</u>	 <u>-</u>	 <u>2,541,800</u>
Fund Balances					
Restricted					
Capital Reserve	175				175
Capital Reserve- Designated for Subsequent Year's Expenditures (2016/17 Budget)	152,400				152,400
Capital Projects			8,604,649		8,604,649
Debt Service			440	\$ 214,574	215,014
SEMI-Designated for Subsequent Year's Expenditures	120,439				120,439
Committed					
Purchases on Order	2,583,598				2,583,598
Assigned					
Purchases on Order	67,640				67,640
Designated for Subsequent Year's Budget (2016/17 Budget)	2,100,000				2,100,000
Unassigned	<u>(314,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314,101)</u>
 Total Fund Balances	 <u>4,710,151</u>	 <u>-</u>	 <u>8,605,089</u>	 <u>214,574</u>	 <u>13,529,814</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,572,637</u>	 <u>\$ 608,267</u>	 <u>\$ 8,676,136</u>	 <u>\$ 214,574</u>	 <u>\$ 16,071,614</u>

**WEST ORANGE BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016**

Total Fund Balance (Exhibit B-1) \$ 13,529,814

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$127,805,245 and the accumulated depreciation is \$56,569,151 71,236,094

The District has financed capital assets through the issuance of serial bonds, certificates of participation, and capital leases/lease purchase obligations.
The interest accrual at year end is: (858,037)

Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2A) (131,680,792)

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. 2,979,785

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 8,018,314	
Deferred Inflows of Resources	<u>(1,218,670)</u>	
		<u>6,799,644</u>

Net Position of Governmental Activities (Exhibit A-1) **\$ (37,993,492)**

WEST ORANGE BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 126,326,356			\$ 5,084,539	\$ 131,410,895
Tuition	302,945				302,945
Interest	6,362		\$ 440		6,802
Miscellaneous	613,829	\$ 14,588	-	-	628,417
Total - Local Sources	127,249,492	14,588	440	5,084,539	132,349,059
State Sources	22,357,287	475,259		964,836	23,797,382
Federal Sources	226,081	2,816,800	-	-	3,042,881
Total Revenues	149,832,860	3,306,647	440	6,049,375	159,189,322
EXPENDITURES					
Current					
Regular Instruction	60,770,578	1,235,647			62,006,225
Special Education Instruction	26,770,051	2,071,000			28,841,051
Vocational Instruction- Tuition	175,783				175,783
Other Instruction	4,395,365				4,395,365
School Sponsored Activities and Athletics	2,312,660				2,312,660
Support Services					
Student and Instruction Related Services	18,960,189		989,797		19,949,986
General Administrative Services	2,153,246				2,153,246
School Administrative Services	7,550,998				7,550,998
Plant Operations and Maintenance	12,914,081		519,757		13,433,838
Pupil Transportation	8,930,484				8,930,484
Business and Other Support Services	4,128,993				4,128,993
Debt Service					
Principal	652,973			3,460,000	4,112,973
Interest	13,975			2,415,216	2,429,191
Cost of Issuance				499,298	499,298
Capital Outlay	893,225	-	2,706,332	-	3,599,557
Total Expenditures	150,622,601	3,306,647	4,215,886	6,374,514	164,519,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	(789,741)	-	(4,215,446)	(325,139)	(5,330,326)
OTHER FINANCING SOURCES (USES)					
Lease Purchase Proceeds			12,820,535		12,820,535
Refunding Bonds Issued			-	1,775,000	1,775,000
Refunding COPs Proceeds				25,475,000	25,475,000
Premium on Refunding				1,448,668	1,448,668
Transfer to Escrow Agent-Bonds				(1,871,064)	(1,871,064)
Transfer to Escrow Agent- COPs	-	-	-	(26,328,306)	(26,328,306)
Total Other Financing Sources (Uses)	-	-	12,820,535	499,298	13,319,833
Net Change in Fund Balances	(789,741)	-	8,605,089	174,159	7,989,507
Fund Balance, Beginning of Year	5,499,892	-	-	40,415	5,540,307
Fund Balance, End of Year	\$ 4,710,151	\$ -	\$ 8,605,089	\$ 214,574	\$ 13,529,814

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

**WEST ORANGE BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 7,989,507

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Depreciation Expense	\$ (3,859,542)	
Capital Outlay	<u>3,599,557</u>	(259,985)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, governmental funds report the effect of premiums, discounts and similar items when the debt is issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities (See Note 2B) (9,206,860)

In the statement of activities, certain operating expenses- compensated absences, claims and judgements for self insurance claims and net pension expense- are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Compensated Absences, Net	(300,372)	
Net Decrease in Claims and Judgements for Self Insurance Claims	11,721	
Net Increase in Pension Pension-PERS	(1,613,024)	
Net Decrease in Pension- Essex County	25,596	
Net Decrease Deferred Pension Obligation	<u>30,804</u>	(1,845,275)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement activities.

Amortization of Original Issue Premium		287,732
Amortization of Deferred Amount on Refunding of Debt		(322,334)

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

Increase in Accrued Interest		<u>(259,615)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) \$ (3,616,830)

**WEST ORANGE BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016**

	Business-Type Activities		
	Enterprise Fund		
	<u>Food Services</u>	<u>Other Non-Major Summer Enrichment</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 590,805	\$ 139,560	\$ 730,365
Intergovernmental Receivable			
State	5,109		5,109
Federal	131,197		131,197
Other	15,946	640	16,586
Due from Other Funds			-
Inventories	<u>33,879</u>	<u>-</u>	<u>33,879</u>
 Total Current Assets	 <u>776,936</u>	 <u>140,200</u>	 <u>917,136</u>
Capital Assets			
Furniture, Machinery and Equipment	2,024,076		2,024,076
Less: Accumulated Depreciation	<u>(1,306,197)</u>	<u>-</u>	<u>(1,306,197)</u>
 Total Capital Assets	 <u>717,879</u>	 <u>-</u>	 <u>717,879</u>
 Total Assets	 <u>1,494,815</u>	 <u>140,200</u>	 <u>1,635,015</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	311,601	5,355	316,956
Unearned Revenue	<u>7,457</u>	<u>88,321</u>	<u>95,778</u>
 Total Current Liabilities	 <u>319,058</u>	 <u>93,676</u>	 <u>412,734</u>
NET POSITION			
Investment in Capital Assets	717,879		717,879
Unrestricted	<u>457,878</u>	<u>46,524</u>	<u>504,402</u>
 Total Net Position	 <u>\$ 1,175,757</u>	 <u>\$ 46,524</u>	 <u>\$ 1,222,281</u>

**WEST ORANGE BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-Type Activities		Total
	Enterprise Fund		
	<u>Food Services</u>	<u>Other Non-Major Summer Enrichment</u>	
OPERATING REVENUES			
Charges for Services			
Daily Sales - Reimbursable	\$ 853,647		\$ 853,647
Daily Sales- Non-Reimbursable	642,131		642,131
Special Functions	127,774		127,774
Program Fees	-	\$ 145,768	145,768
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	1,623,552	145,768	1,769,320
OPERATING EXPENSES			
Salaries and Wages	1,397,008	119,160	1,516,168
Cost of Sales			-
Reimbursable Programs	824,076		824,076
Non-Reimbursable Programs	581,750		581,750
Repairs	80,209		80,209
Other Expenses	202,511		202,511
Insurance	97,589		97,589
Supplies	76,317	8,613	84,930
Miscellaneous	27,752		27,752
Depreciation Expense	119,864		119,864
Administrative and Management Fees	272,700	-	272,700
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,679,776	127,773	3,807,549
Operating Income (Loss)	<hr/> (2,056,224)	<hr/> 17,995	<hr/> (2,038,229)
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	37,345		37,345
Federal Sources			
School Breakfast Program	283,622		283,622
Federal School Lunch Program	1,412,559		1,412,559
Fresh Fruits & Vegetables Program	24,197	-	24,197
Food Distribution Program	323,071		323,071
Interest Income	34	-	34
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues	2,080,828	-	2,080,828
Change in Net Position	24,604	17,995	42,599
Net Position, Beginning of Year (Restated)	<hr/> 1,151,153	<hr/> 28,529	<hr/> 1,179,682
Net Position, End of Year	<hr/> <u>\$ 1,175,757</u>	<hr/> <u>\$ 46,524</u>	<hr/> <u>\$ 1,222,281</u>

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

**WEST ORANGE BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major Summer Enrichment	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,630,262	\$ 112,638	\$ 1,742,900
Cash Payments for Employees' Salaries and Benefits	(1,397,008)	(119,160)	(1,516,168)
Cash Payments to Suppliers for Goods and Services	(1,864,212)	(10,157)	(1,874,369)
Net Cash Provided (Used) By Operating Activities	<u>(1,630,958)</u>	<u>(16,679)</u>	<u>(1,647,637)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from General Fund	30,000	-	30,000
Cash Received from State and Federal Subsidy Reimbursements	1,947,573	-	1,947,573
Net Cash Provided by Noncapital and Related Activities	<u>1,977,573</u>	<u>-</u>	<u>1,977,573</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	34	-	34
Net Cash Provided by Investing Activities	<u>34</u>	<u>-</u>	<u>34</u>
Net Change in Cash and Cash Equivalents	346,649	(16,679)	329,970
Cash and Cash Equivalents, Beginning of Year	244,156	156,239	400,395
Cash and Cash Equivalents, End of Year	<u>\$ 590,805</u>	<u>\$ 139,560</u>	<u>\$ 730,365</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (2,056,224)	\$ 17,995	\$ (2,038,229)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Used for Operating Activities			
Depreciation	119,864		119,864
Federal Food Distribution Program	323,071		323,071
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	9,087		9,087
(Increase)/Decrease in Other Accounts Receivable	6,677	(640)	6,037
Increase/(Decrease) in Accounts Payable	(15,740)	(1,545)	(17,285)
Increase/(Decrease) in Prepaid Sales	(2,320)		(2,320)
Increase/(Decrease) in Deferred Revenue	(15,373)	(32,489)	(47,862)
Total Adjustments	<u>425,266</u>	<u>(34,674)</u>	<u>390,592</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (1,630,958)</u>	<u>\$ (16,679)</u>	<u>\$ (1,647,637)</u>
Non-Cash Investing, Capital and Related Financing Activities			
Fair Value of Food Distribution Program- National School Lunch Program	\$ 290,013		

**WEST ORANGE BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 105,951	\$ 4,019,363
Due from Other Funds	34,154	27,362
Cash with Fiscal Agent	<u>-</u>	<u>6,666</u>
 Total Assets	 <u>140,105</u>	 <u>\$ 4,053,391</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 224,876
Payroll Deductions and Withholdings		3,205,552
Reserve for Flexible Spending		6,666
Due to Other Funds		66,822
Intergovernmental Payable	\$ 44,377	
Due to Student Groups	<u>-</u>	<u>549,475</u>
 Total Liabilities	 <u>44,377</u>	 <u>\$ 4,053,391</u>
NET POSITION		
Held In Trust For Unemployment Claims	 <u>\$ 95,728</u>	

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

**WEST ORANGE BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions	
Employee	\$ 158,933
Investment Earnings	
Interest	<u>182</u>
Total Additions	<u>159,115</u>
DEDUCTIONS	
Unemployment Claims	<u>341,451</u>
Total Deductions	<u>341,451</u>
Change in Net Position	(182,336)
Net Position Beginning of Year	<u>278,064</u>
Net Position, End of Year	<u>\$ 95,728</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Orange Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of five elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the West Orange Board of Education this includes general operations, food service, summer enrichment program and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

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

- GASB No. 72, *Fair Value Measurement and Application*. 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 applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, 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 No. 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 No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 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 Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

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

WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

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

The *summer enrichment fund* accounts for the activities of the District's summer enrichment program which provides a continuum that bridges essential skills from one grade level to the next.

Additionally, the government reports the following fund type:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA.

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Restricted Assets*

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts for Lease-Purchase Agreements for capital projects.

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Site Improvements	20
Furniture and Equipment	10-15
Computer and Related Technology	5
Vehicles	8

6. *Deferred Outflows/Inflows of Resources*

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

7. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. Pensions

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

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

9. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Long-Term Obligations (Continued)*

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

10. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2016/2017 District budget certified for taxes. (See Note 3B).

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

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Net Position/Fund Balance (Continued)*

Restricted Fund Balance (Continued)

SEMI – Designated for Subsequent Year’s Expenditures – This designation was created to dedicate the portion of the SEMI revenue that is unexpended at June 30, 2016 that will be appropriated in the adopted 2016/2017 budget certified for taxes in a subsequent year’s budget.

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

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

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

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

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.

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Tuition Revenues and Expenditures

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

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and of the summer enrichment enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$131,680,792) difference are as follows:

Bonds Payable	\$ (31,225,000)
Add: Issuance premium (to be amortized over life of debt)	(3,196,781)
Lease Purchase Agreements "COPS"	(31,185,000)
Capital Leases/Lease Purchase Agreements	(12,856,478)
Claims and Judgments Payable	(311,992)
Compensated Absences	(2,137,703)
Deferred Pension Obligation	(457,645)
Net Pension Liability - Essex County	(220,610)
Net Pension Liability - PERS	<u>(50,089,583)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (131,680,792)</u>

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position”. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$9,206,860) difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (12,820,535)
Issuance of refunding bonds	(1,775,000)
Issuance of Certificates of Participation	(25,475,000)
Add: Issuance premium	(1,448,668)
Principal repayments:	
General obligation bonds	1,600,000
Certificate of Participations	1,860,000
Down payment on capital lease	652,973
Payment to escrow agent for refunding	<u>28,199,370</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,206,860)</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 23, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original General Fund budget by \$670,977 and the original special revenue fund budget by \$778,838. The increase in the general fund was funded by the appropriation of the prior year Extraordinary Aid and additional nonpublic transportation aid as well as the reappropriation of prior year general fund encumbrances. The increase in the special revenue fund was funded by additional grant awards.

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

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

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

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

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 648,772
Increased by		
Unexpended Appropriations Returned	\$ 22,803	
Total Increases		<u>22,803</u>
		671,575
Withdrawals		
Approved in District Budget	<u>519,000</u>	
Total Withdrawals		<u>519,000</u>
Balance, June 30, 2016		<u>\$ 152,575</u>
Designate for Subsequent Year's Expenditures (2016/2017 Budget)		\$ 152,400
Available Capital Reserve		<u>175</u>
		<u>\$ 152,575</u>

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

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$19,414,616 and bank and brokerage firm balances of the Board's deposits amounted to \$21,462,274. The Board's deposits which are displayed on the various fund balance sheets as "cash with Fiscal Agents" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ 21,455,608
Uninsured and Collateralized - Cash with Fiscal Agent	<u>6,666</u>
	<u>\$ 21,462,274</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 the Board's bank balance of \$6,666 was exposed to custodial credit risk as follows:

Depository Account

Uninsured and Collateralized:

Collateral held by pledging financial institution's trust department in the Board's name

\$ <u>6,666</u>
<u>\$ 6,666</u>

As of June 30, 2016, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2016 for the district's individual major and non-major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Non-Major Summer Enrichment</u>	<u>Total</u>
Receivables:					
Accounts	\$ 120,800		\$ 15,946	\$ 640	\$ 137,386
Intergovernmental-					
Federal	160,411	\$ 602,174	131,197		893,782
State	<u>339,643</u>	<u>6,093</u>	<u>5,109</u>	-	<u>350,845</u>
Gross Receivables	620,854	608,267	152,252	640	1,382,013
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 620,854</u>	<u>\$ 608,267</u>	<u>\$ 152,252</u>	<u>\$ 640</u>	<u>\$ 1,382,013</u>

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

General Fund		
Rental Fees	\$	1,000
Special Revenue Fund		
Unencumbered Grant Draw Downs		<u>25,314</u>
Total Unearned Revenue for Governmental Funds	\$	<u>26,314</u>

D. Capital Assets

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

	Balance, July 1, 2015 (Restated)	Increases	Decreases	Balance, June 30, 2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,565,829	-		\$ 4,565,829
Construction in Progress	<u>-</u>	<u>\$ 2,706,332</u>	<u>-</u>	<u>2,706,332</u>
Total Capital Assets, Not Being Depreciated	<u>4,565,829</u>	<u>2,706,332</u>	<u>-</u>	<u>7,272,161</u>
Capital Assets, Being Depreciated:				
Site Improvements	9,121,214	496,197		9,617,411
Buildings and Building Improvements	83,016,676			83,016,676
Machinery and Equipment	<u>27,501,969</u>	<u>397,028</u>	<u>-</u>	<u>27,898,997</u>
Total Capital Assets Being Depreciated	<u>119,639,859</u>	<u>893,225</u>	<u>-</u>	<u>120,533,084</u>
Less Accumulated Depreciation for:				
Site Improvements	(3,492,718)	(497,012)		(3,989,730)
Buildings and Building Improvements	(29,390,818)	(2,006,605)		(31,397,423)
Machinery and Equipment	<u>(19,826,073)</u>	<u>(1,355,925)</u>	<u>-</u>	<u>(21,181,998)</u>
Total Accumulated Depreciation	<u>(52,709,609)</u>	<u>(3,859,542)</u>	<u>-</u>	<u>(56,569,151)</u>
Total Capital Assets, Being Depreciated, Net	<u>66,930,250</u>	<u>(2,966,317)</u>	<u>-</u>	<u>63,963,933</u>
Governmental Activities Capital Assets, Net	<u>\$ 71,496,079</u>	<u>\$ (259,985)</u>	<u>\$ -</u>	<u>\$ 71,236,094</u>

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2015 (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, 2016
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 2,024,076	-	-	\$ 2,024,076
Total Capital Assets Being Depreciated	<u>2,024,076</u>	<u>-</u>	<u>-</u>	<u>2,024,076</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(1,186,333)	\$ (119,864)	-	(1,306,197)
Total Accumulated Depreciation	<u>(1,186,333)</u>	<u>(119,864)</u>	<u>-</u>	<u>(1,306,197)</u>
Total Capital Assets, Being Depreciated, Net	<u>(1,186,333)</u>	<u>(119,864)</u>	<u>-</u>	<u>(1,306,197)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 837,743</u>	<u>\$ (119,864)</u>	<u>\$ -</u>	<u>\$ 717,879</u>

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction	
Regular	\$ 372,880
	<u>372,880</u>
Total Instruction	
Support Services	
Support Services-Student and Instruction Related Services	372,880
General Administration	167,186
School Administration	167,186
Operations and Maintenance of Plant	2,612,089
Business and Other Support Services	<u>167,321</u>
Total Support Services	<u>3,486,662</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,859,542</u>

Business-Type Activities:

Food Service Fund	<u>\$ 119,864</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 119,864</u>

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2016:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Energy Saving Incentive Program	\$ 2,706,332	\$ 8,118,995
Architect for Energy Savings Incentive Program	382,167	<u>245,963</u>
Total		<u>\$ 8,364,958</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 257,554
General Fund	Payroll Agency Fund	32,668
Unemployment Fund	Payroll Agency Fund	34,154
Payroll Agency Fund	General Fund	<u>27,362</u>
Total		<u>\$ 351,738</u>

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

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

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing copiers, buses, computer equipment and various energy incentive program projects totaling \$13,779,175 under capital leases/lease purchase agreements. The leases are for terms of 5 to 19 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ <u>5,174,526</u>

The unexpended proceeds from capital leases in the amount of \$8,676,136 at June 30, 2016 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Governmental Activities</u>
2017	1,192,587
2018	1,595,052
2019	1,236,447
2020	823,127
2021	771,756
2022-2026	3,551,788
2027-2031	3,033,283
2032-2035	<u>4,170,863</u>
Total minimum lease payments	16,374,903
Less: amount representing interest	<u>(3,518,425)</u>
Present value of minimum lease payments	<u>\$ 12,856,478</u>

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Lease Purchase Agreements

The District has entered into lease purchase agreements and issued certificates of participation (“COPS”) as follows:

Improvements to Various Schools	12/15/97	\$10,968,000
Improvements to Various Schools	9/26/06	5,610,000
Improvements to Various Schools	10/22/15	24,475,000

The maturity schedule of the remaining lease payments for principal and interest is as follows:

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	2,140,000	1,107,573	3,247,573
2018	1,880,000	1,049,129	2,929,129
2019	1,850,000	993,621	2,843,621
2020	1,905,000	937,289	2,842,289
2021	1,965,000	877,139	2,842,139
2022-2026	12,105,000	2,922,773	15,027,773
2027-2030	9,340,000	600,150	9,940,150
Total	<u>\$ 31,185,000</u>	<u>\$ 8,487,674</u>	<u>\$ 39,672,674</u>

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2016 are comprised of the following issues:

\$4,387,000, 2006 School Bonds, due in an annual installment of \$315,000 through July 15, 2016, interest at 4.250% \$315,000
 *Partially refunded during fiscal year ended June 30, 2016

\$31,535,000, 2012 Refunding Bonds, due in annual installments of \$1,400,000 to \$3,575,000 through November 1, 2027 interest at 2.625% to 5% 29,135,000

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$1,775,000, 2015 Refunding Bonds, due in annual installments of \$330,00 to \$380,000 through July 15, 2021, interest at 3.0-4.0%	<u>1,775,000</u>
Total	<u>\$31,225,000</u>

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 1,715,000	\$ 1,159,226	\$ 2,874,226
2018	2,105,000	1,091,082	3,196,082
2019	2,275,000	1,005,132	3,280,132
2020	2,380,000	901,906	3,281,906
2021	2,485,000	794,481	3,279,481
2022-2026	13,220,000	2,382,220	15,602,220
2027-2028	<u>7,045,000</u>	<u>230,275</u>	<u>7,275,275</u>
Total	<u>\$ 31,225,000</u>	<u>\$ 7,564,322</u>	<u>\$ 38,789,322</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 233,250,484
Less: Net Debt	<u>31,225,000</u>
Remaining Borrowing Power	<u>\$ 202,025,484</u>

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Advance and Current Refundings of Debt

On October 1, 2015, the District issued \$1,775,000 in School District Refunding Bond having an interest rate of 3% to 4%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of various School District Bonds of the District. The total bond principal defeased was \$1,797,000 and the total interest payments defeased to the call date was \$77,411. The net proceeds of \$1,871,064 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$74,064. This amount has been reported as Deferred Outflows of Resources on the financial statements and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 7 years by \$74,749 and resulted in an economic gain of \$71,893.

On October 1, 2015 the District issued \$25,475,000 in School District Refunding Certificates of Participation having an interest rate of 2.00% to 5.00%. These Certificates of Participation ("COPS") were issued in order to currently refund certain principal maturities of the 2004 "COPS". The total principal currently refunded was \$26,160,000. The reacquisition price exceeded the net carrying amount of the old debt by \$168,306. This amount has been reported as Deferred Outflows of Resources on the financial statements and will be amortized over the new debt's life, which is shorter than the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next 15 years by \$2,327,260 and resulted in an economic gain of \$2,053,431.

H. Other Long-Term Liabilities

Deferred Pension Obligation

During the 2009/2010 school year the Board elected to contribute only 50% of its normal and accrued liability components of the Public Employee Retirement System (PERS) obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$463,202 and is being paid back with interest over 15 years beginning in the 2011/2012 fiscal year. The District is permitted to payoff the deferred PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2013 and 8.25% prior to July 1, 2013) at June 30, 2016 is \$457,645.

Board of Education Employees' Pension Fund of Essex County

Plan Description

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities (Continued)

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

Plan Description (Continued)

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

Benefits Provided

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

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

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$25,596 for fiscal year 2016.

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 \$220,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.618%, which was a decrease of 0.021% from its proportion measured as of June 30, 2015 of 0.639%.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities (Continued)

Changes in Long-Term Liabilities

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

	Balance, July 1, 2015 (Restated)	Additions	Reductions	Balance, June 30, 2016	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 32,847,000	\$ 1,775,000	\$ (3,397,000)	\$ 31,225,000	\$ 1,750,000
Add: Unamortized Premium	2,035,845	1,448,668	(287,732)	3,196,781	-
Total Bonds Payable	34,882,845	3,223,668	(3,684,732)	34,421,781	1,750,000
Lease-Purchase Agreement ("COPS")	33,730,000	25,475,000	(28,020,000)	31,185,000	2,140,000
Capital Leases/Lease Purchase Agreements	688,916	12,820,535	(652,973)	12,856,478	730,159
Claims and Judgments	323,713		(11,721)	311,992	
Compensated Absences	1,837,331	300,372		2,137,703	
Deferred Pension Obligation	488,449		(30,804)	457,645	
Net Pension Liability					
PERS	42,264,361	5,906,850	1,918,372	50,089,583	
Essex County	246,206	-	(25,596)	220,610	-
Governmental Activities Long-Term Liabilities	<u>\$ 114,461,821</u>	<u>\$ 47,726,425</u>	<u>\$ (30,507,454)</u>	<u>\$ 131,680,792</u>	<u>\$ 4,620,159</u>

For the governmental activities, the liabilities for compensated absences, claims and judgements, deferred pension obligations, capital leases/lease purchase agreements and net pension liability are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District has established a worker's compensation plan for its employees. Transactions related to the plan are accounted for in the General Fund. The District funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$500,000 for any one accident or occurrence. The District has purchased excess coverage of \$1,000,000 from a commercial carrier for workers' compensation claims which exceed \$500,000 (individually and in the aggregate) self-insured risk retention. The self-insurance program is administered by a third party claims administrator. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the District under existing reinsurance agreements.

Estimates of claims payable (case reserves) and of claims incurred, but not reported (IBNR) at June 30, 2016, are reported as claims and judgments payable and accrued liability for insurance claims, respectively. These estimates were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$941,086 reported at June 30, 2016 is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities for the workmen's compensation plan for the fiscal years ended June 30, 2016 and 2015 are as follows:

Governmental Activities:	<u>Fiscal Year Ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Unpaid Claims, Beginning of Year	\$ 1,589,844	\$ 1,063,260
Incurred Claims	298,549	833,314
Claim Payments and Claims Adjustments	<u>(947,307)</u>	<u>(306,730)</u>
Unpaid Claims, End of Year	<u>941,086</u>	<u>1,589,844</u>
General Fund		
Other Current Liabilities	\$ 629,094	\$ 1,266,131
Governmental Activities		
Noncurrent Liabilities	<u>311,992</u>	<u>323,713</u>
	<u>\$ 941,086</u>	<u>\$ 1,589,844</u>

The District is a member of the New Jersey Schools Insurance Group (NJSIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

NJSIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

Fiscal Year Ended <u>June 30,</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 158,933	\$ 341,451	\$ 95,728
2015	186,705	110,929	278,064
2014	161,756	193,496	201,874

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2016, the District has not estimated its arbitrage earnings due to the IRS, if any.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

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

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.93 percent and \$22.4 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee’s annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 1,990,553	\$ 4,900,024	\$ 36,652
2015	1,931,610	3,233,836	31,599
2014	1,687,381	2,496,347	73,863

For fiscal years 2015/2016 and 2014/2015, the state contributed \$4,900,024 and \$3,233,836, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$2,496,347 for normal cost pension and NCGI premium.

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$4,557,046 during the fiscal 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 has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$50,089,583 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was .22313 percent, which was a decrease of .00261 percent from its proportionate share measured as of June 30, 2014 of .22574 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,531,396 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,194,961	
Changes of Assumptions	5,379,221	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 805,344
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>1,444,132</u>	<u>413,326</u>
Total	<u>\$ 8,018,314</u>	<u>\$ 1,218,670</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 1,409,890
2018	1,409,890
2019	1,409,890
2020	1,409,890
2021	<u>1,160,084</u>
	<u>\$ 6,799,644</u>

WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The 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, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	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 Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

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

WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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	12.00%	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 liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

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

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 62,255,223</u>	<u>\$ 50,089,583</u>	<u>\$ 39,889,998</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2015. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$23,083,873 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$378,058,467. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was .59815 percent, which was an increase of .00805 percent from its proportionate share measured as of June 30, 2014 of .59010 percent.

Actuarial Assumptions

The 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, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 -
Study Upon Which Actuarial	June 30, 2012
Assumptions were Based	

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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 Markets 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 - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 449,308,357</u>	<u>\$ 378,058,467</u>	<u>\$ 316,672,423</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

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

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

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

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving 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 and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program 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 School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$5,834,575, \$5,133,717 and \$4,093,071 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

On July 14, 2016 the District issued \$4,970,000 of Refunding Certificates of Participation. The District refunded \$5,175,000 of 2006 Certificates of Participation. The 2016 Refunding Certificate of Participation will be due in annual installments of \$40,000 to \$700,000 through October 1, 2024, interest at 2.0 to 4.0%.

On July 15, 2016 the District entered into a lease purchase agreement providing for the acquisition and installation of certain equipment in the amount of \$630,768. The lease term is three years at an annual interest rate of 1.460%.

**WEST ORANGE BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 RESTATEMENT

The District conducted an update of its capital asset inventory as of June 30, 2016. The District has restated its July 1, 2015 capital asset values, including accumulated depreciation amounts to reflect the amounts reported in the capital asset report. The net effect of this restatement was a decrease to governmental net position of \$55,684,848 and an increase to business-type activities net position of \$771,295.

The District also restated the following balances:

<u>Deferred Outflows of Resources</u>	<u>Balance, Prior to Adjustment</u> (Restated)	<u>Adjustment</u>	<u>Balance After Restatement</u>
Deferred Amount of Refunding of Debt	\$ 4,411,939	\$ (1,352,189)	\$ 3,059,750
 <u>Long-Term Liabilities</u>			
Unamortized Premium	2,218,268	(182,423)	2,035,845
Deferred Pension Obligation	190,203	298,246	488,449

The net effect of this restatement was a decrease to the governmental net position of \$1,468,014.

The total net effect of all restatements was a decrease to the governmental net position of \$57,152,862 and an increase to the business-type activities net position of \$771,295.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 126,326,356		\$ 126,326,356	\$ 126,326,356	
Tuition-Individuals	-			7,175	\$ 7,175
Tuition-Other LEAs within the State	450,000		450,000	261,970	(188,030)
Tuition-Other				950	950
Tuition-Preschool				32,850	32,850
Interest				6,362	6,362
After Care Fees				29,200	29,200
Miscellaneous	300,000	-	300,000	584,629	284,629
Total Local Sources	127,076,356	-	127,076,356	127,249,492	173,136
State Sources					
Special Education Aid	4,191,194		4,191,194	4,191,194	
Equalization Aid	1,793,898		1,793,898	1,793,898	
Security Aid	386,465		386,465	386,465	
PARCC Readiness Aid	70,410		70,410	70,410	
Per Pupil Growth Aid	70,410		70,410	70,410	
Transportation Aid	438,150		438,150	438,150	
Extraordinary Aid	1,500,000		1,500,000	1,418,793	(81,207)
Reimbursed Nonpublic Transportation Aid				110,042	110,042
TPAF Pension Contribution (On-Behalf)					
Normal Pension Contribution				4,667,518	4,667,518
NCGI Contributions				232,506	232,506
Post Retirement				5,834,575	5,834,575
TPAF Social Security Contribution (On-Behalf)	-	-	-	4,557,046	4,557,046
Total State Sources	8,450,527	-	8,450,527	23,771,007	15,320,480
Federal Source					
Medicaid Reimbursement	150,000	-	150,000	144,581	(5,419)
Medicaid Reimbursement- FY14 Settlement	-	-	-	81,500	81,500
Total Federal Sources	150,000	-	150,000	226,081	76,081
Total Revenues	135,676,883	-	135,676,883	151,246,580	15,569,697
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	1,902,507	\$ 51,823	1,954,330	1,905,285	49,045
Grades 1-5	15,013,571	(65,323)	14,948,248	14,583,309	364,939
Grades 6-8	9,711,338	80,000	9,791,338	9,552,403	238,935
Grades 9-12	13,411,321	(25,000)	13,386,321	13,045,123	341,198
Home Instruction					
Salaries of Teachers	450,000	29,000	479,000	467,065	11,935
Purchase Professional- Educational Services	147,860	(68,000)	79,860	79,019	841
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	201,280	175,000	376,280	364,197	12,083
Unused Vacation Payment to Terminated/Retired Staff		81,100	81,100	79,070	2,030
Purchased Professional- Educational Services	125,875	(57,590)	68,285	53,419	14,866
Purchase Technical Services		1,590	1,590	1,563	27
Other Purchased Services	1,002,909	(38,000)	964,909	953,597	11,312
General Supplies	1,973,110	29,466	2,002,576	1,993,891	8,685
Textbooks	293,948	(46,574)	247,374	246,877	497
Other Objects	25,000	-	25,000	21,888	3,112
Total Regular Programs	44,258,719	147,492	44,406,211	43,346,706	1,059,505
Special Education					
Cognitive Mild					
Salaries of Teachers	650,793	7,500	658,293	639,685	18,608
Other Salaries for Instruction	582,344	(7,500)	574,844	533,445	41,399
General Supplies	539	400	939	781	158
Textbooks	1,000	(400)	600	-	600
Total Cognitive Mild	1,234,676	-	1,234,676	1,173,911	60,765
Learning and/or Language Disabilities					
Salaries of Teachers	1,942,564	354,550	2,297,114	2,240,581	56,533
Other Salaries for Instruction	698,260	70,450	768,710	749,821	18,889
General Supplies	10,097	(973)	9,124	6,059	3,065
Textbooks	-	617	617	617	-
Total Learning and/or Language Disabilities	2,650,921	424,644	3,075,565	2,997,078	78,487

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENDITURES (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 87,011	\$ 62,000	\$ 149,011	\$ 144,991	\$ 4,020
Other Salaries for Instruction	182,758	30,800	213,558	200,583	12,975
Total Multiple Disabilities	269,769	92,800	362,569	345,574	16,995
Resource Room/Resource Center					
Salaries of Teachers	5,893,446	(426,300)	5,467,146	5,332,102	135,044
Other Salaries for Instruction	1,205,343	(132,000)	1,073,343	1,046,887	26,456
General Supplies	8,500	(1,000)	7,500	5,714	1,786
Textbooks	2,500	(1,500)	1,000	-	1,000
Total Resource Room	7,109,789	(560,800)	6,548,989	6,384,703	164,286
Autistic Program					
Salaries of Teachers	429,475	121,853	551,328	536,196	15,132
Other Salaries for Instruction	1,025,329	(225,453)	799,876	780,156	19,720
Supplies	5,542	-	5,542	4,333	1,209
Other Objects	-	1,600	1,600	1,590	10
Total Autistic Program	1,460,346	(102,000)	1,358,346	1,322,275	36,071
Preschool Disabilities - Part-Time					
Other Salaries for Instruction	-	177,050	177,050	172,635	4,415
Total Preschool Disabilities - Part-Time	-	177,050	177,050	172,635	4,415
Preschool Disabilities - Full-Time					
Salaries of Teachers	756,525	(284,590)	471,935	454,541	17,394
Other Salaries for Instruction	634,546	(175,550)	458,996	447,083	11,913
General Supplies	7,451	(2,905)	4,546	348	4,198
Total Preschool Disabilities - Full-Time	1,398,522	(463,045)	935,477	901,972	33,505
Total Special Education	14,124,023	(431,351)	13,692,672	13,298,148	394,524
Basic Skills/Remedial					
Salaries of Teachers	1,730,679	189,590	1,920,269	1,845,284	74,985
Other Salaries for Instruction	65,750	(56,000)	9,750	9,250	500
General Supplies	14,241	10,601	24,842	24,515	327
Total Basic Skills/Remedial	1,810,670	144,191	1,954,861	1,879,049	75,812
Bilingual Education					
Salaries of Teachers	1,264,442	(54,000)	1,210,442	1,175,591	34,851
Other Salaries for Instruction	60,155	(53,000)	7,155	7,155	-
General Supplies	5,317	-	5,317	4,732	585
Total Bilingual Education	1,329,914	(107,000)	1,222,914	1,180,323	42,591
School Sponsored Co-Curricular Activities					
Salaries	430,878	68,000	498,878	485,471	13,407
Purchased Services	8,850	(5,500)	3,350	3,000	350
Other Objects	82,881	3,500	86,381	85,145	1,236
Total School Sponsored Co-Curricular Activities	522,609	66,000	588,609	573,616	14,993
School Sponsored Athletics - Instruction					
Salaries	794,216	4,500	798,716	779,217	19,499
Purchased Services	122,838	(27,513)	95,325	94,209	1,116
Supplies & Materials	141,376	6,087	147,463	146,592	871
Other Objects	134,389	28,354	162,743	161,421	1,322
Total School Sponsored Athletics - Instruction	1,192,819	11,428	1,204,247	1,181,439	22,808

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENDITURES (Continued)					
Total - Instruction	\$ 63,238,754	\$ (169,240)	\$ 63,069,514	\$ 61,459,281	\$ 1,610,233
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs within the State-Reg.	134,750	56,572	191,322	187,002	4,320
Tuition to Other LEAs within the State-Spec.	1,411,051	56,600	1,467,651	1,452,888	14,763
Tuition to County Vocational School District-Reg.	95,248	(1,128)	94,120	93,847	273
Tuition to County Vocational School District-Spec.	95,508	(13,500)	82,008	81,936	72
Tuition to County Special Services - School Districts & Regional Day Schools	176,384	-	176,384	173,858	2,526
Tuition to Private Schools - Disabled w/ State	6,794,728	(1,011,266)	5,783,462	5,762,274	21,188
Tuition to Private Schools- Disabled & Other LEA o/s State	-	193,122	193,122	192,791	331
Tuition- State Facilities	72,271	(36,806)	35,465	35,465	-
Tuition- Other	50,610	(50,610)	-	-	-
Total Undistributed Expenditures - Instruction	8,830,550	(807,016)	8,023,534	7,980,061	43,473
Attendance and Social Work					
Salaries	90,773	34,000	124,773	121,298	3,475
Other Purchased Services	600	-	600	14	586
Total Attendance and Social Work	91,373	34,000	125,373	121,312	4,061
Health Services					
Salaries	1,213,097	2,000	1,215,097	1,185,132	29,965
Purchased Professional & Technical Services	92,360	(5,208)	87,152	86,299	853
Other Purchased Services	17,892	(17,392)	500	239	261
Supplies and Materials	30,909	7,600	38,509	38,433	76
Other Objects	-	-	-	-	-
Total Health Services	1,354,258	(13,000)	1,341,258	1,310,103	31,155
Speech, OT, PT & Related Services					
Salaries	1,623,857	(58,000)	1,565,857	1,525,122	40,735
Purchased Professional/Educational Services	-	253,300	253,300	251,832	1,468
Supplies and Materials	5,313	(4,100)	1,213	461	752
Other Objects	-	100	100	100	-
Total Speech, OT, PT & Related Services	1,629,170	191,300	1,820,470	1,777,515	42,955
Other Support Services Std- Extra Serv					
Salaries of Other Professional Staff	1,259,874	163,700	1,423,574	1,388,793	34,781
Purchased Professional- Educational Services	435,000	(18,000)	417,000	390,172	26,828
Supplies and Materials	6,510	(6,000)	510	195	315
Total Other Support Services Std- Extra Serv	1,701,384	139,700	1,841,084	1,779,160	61,924
Guidance					
Salaries of Other Professional Staff	2,469,357	(18,000)	2,451,357	2,391,152	60,205
Salaries of Secretarial and Clerical Assistants	284,551	(50,200)	234,351	223,767	10,584
Purchased Professional - Educational Services	65,950	(34,555)	31,395	28,198	3,197
Supplies and Materials	78,127	(49,185)	28,942	27,573	1,369
Total Guidance	2,897,985	(151,940)	2,746,045	2,670,690	75,355
Child Study Teams					
Salaries of Other Professional Staff	2,757,442	274,000	3,031,442	2,957,329	74,113
Salaries of Secretarial and Clerical Assistants	374,644	-	374,644	364,182	10,462
Purchased Prof-Educational Services	41,340	(6,400)	34,940	33,200	1,740
Misc. Purchased Services	9,000	-	9,000	6,852	2,148
Supplies and Materials	45,000	6,000	51,000	49,284	1,716
Other Objects	-	-	-	-	-
Total Child Study Teams	3,227,426	273,600	3,501,026	3,410,847	90,179

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENDITURES (Continued)					
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisor of Instruction	\$ 1,613,759	\$ 5,629	\$ 1,619,388	\$ 1,580,208	\$ 39,180
Salaries of Other Professional Staff		56,000	56,000	54,210	1,790
Salaries of Secr and Clerical Assist.	68,085	40,200	108,285	105,322	2,963
Unused Vacation Payments to Terminated/Retired Staff	-	301	301	-	301
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	1,681,844	102,130	1,783,974	1,739,740	44,234
Educational Media Services/School Library					
Salaries	1,151,498	(46,000)	1,105,498	1,078,315	27,183
Purchase Professional and Technical Services		5,650	5,650	5,650	
Supplies and Materials	127,910	6,325	134,235	129,644	4,591
Total Educational Media Services/School Library	1,279,408	(34,025)	1,245,383	1,213,609	31,774
Instructional Staff Training Services					
Salaries of Other Professional Staff	33,000	85,070	118,070	114,004	4,066
Purchased Professional- Educational Services	11,000	19,400	30,400	30,358	42
Other Purchased Prof. And Tech. Services		-			-
Other Purchased Services	73,000	(33,000)	40,000	39,995	5
Supplies and Materials	8,000	(5,000)	3,000	3,000	3,000
Other Objects	39,600	(38,000)	1,600	1,425	175
Total Instructional Staff Training Services	164,600	28,470	193,070	185,782	7,288
Support Services General Administration					
Salaries	720,940	(69,000)	651,940	645,313	6,627
Salaries of Attorneys	141,457	-	141,457	141,243	214
Unused Vacation Payments to Terminated/Retired Staff		50,000	50,000	49,814	186
Legal Services	230,000	(92,683)	137,317	108,690	28,627
Audit Fees	75,000	4,675	79,675	79,675	-
Other Purchased Professional Services	83,000	8,357	91,357	82,300	9,057
Purchased Technical Services	60,561	-	60,561	59,708	853
Communications/Telephone	326,400	(7,638)	318,762	309,806	8,956
BOE Other Purchased Services	5,000	-	5,000	3,125	1,875
Misc. Purchased Services	212,864	9,000	221,864	218,932	2,932
General Supplies	10,745	7,104	17,849	16,736	1,113
Miscellaneous Expenditures	24,755	(10,000)	14,755	11,224	3,531
BOE Membership Dues and Fees	36,963	-	36,963	35,267	1,696
Total Support Services General Administration	1,927,685	(100,185)	1,827,500	1,761,833	65,667
Support Services School Administration					
Salaries of Principals/Asst. Principals	2,893,601	43,095	2,936,696	2,864,916	71,780
Salaries of Other Professional Staff	601,064	14,928	615,992	595,783	20,209
Salaries of Secretarial and Clerical Assistants	1,857,716	8,188	1,865,904	1,820,271	45,633
Unused Vacation Payment to Terminated/Retired Staff		30,189	30,189	27,932	2,257
Purchased Professional and Technical Services	14,000	(6,750)	7,250	5,600	1,650
Other Purchased Services	50,000	(10,330)	39,670	33,548	6,122
Supplies and Materials	91,576	750	92,326	89,950	2,376
Other Objects	-	1,000	1,000	765	235
Total Support Services School Administration	5,507,957	81,070	5,589,027	5,438,765	150,262
Central Services					
Salaries	1,475,014	18,300	1,493,314	1,469,973	23,341
Unused Vacation Payment to Terminated/Retired Staff		9,000	9,000	8,937	63
Purchased Technical Services	82,061	(500)	81,561	80,613	948
Misc. Purchased Services	38,664	29,850	68,514	60,160	8,354
Supplies and Materials	36,224	(18,600)	17,624	13,754	3,870
Miscellaneous Expenditures	55,624	10,891	66,515	65,781	734
Total Central Services	1,687,587	48,941	1,736,528	1,699,218	37,310
Administration - Information Technology Services					
Salaries	1,284,260	79,850	1,364,110	1,327,139	36,971
Purchased Technical Services		-			-
Other Purchased Services	21,800	(5,950)	15,850	15,533	317
Supplies and Materials	91,764	13,000	104,764	104,105	659
Other Objects	-	100	100	-	100
Total Administration Information Technology Svcs.	1,397,824	87,000	1,484,824	1,446,777	38,047

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	\$ 706,908	\$ 398,483	\$ 1,105,391	\$ 1,099,478	\$ 5,913
Rentals		-			-
General Supplies	475,000	(175,724)	299,276	298,522	754
Total Required Maint. For School Facilities	1,181,908	222,759	1,404,667	1,398,000	6,667
Custodial Services					
Salaries	4,010,268	93,272	4,103,540	4,003,225	100,315
Salaries of Non-Instructional Aides	542,428	5,880	548,308	534,895	13,413
Unused Vacation Payment to Terminated/Retired Staff		20,458	20,458	19,574	884
Purchased Professional & Technical Services		55,001	55,001	43,571	11,430
Cleaning, Repair and Maintenance Services	210,000	37,364	247,364	245,291	2,073
Rental of Land & Bldgs Other Than Lease		136,569	136,569	136,569	-
Other Purchased Property Services	125,000	-	125,000	118,717	6,283
Insurance	166,547	35,756	202,303	202,302	1
Travel		3,000	3,000	2,070	930
General Supplies	229,219	29,370	258,589	252,439	6,150
Energy (Natural Gas)	420,000	(107,150)	312,850	311,140	1,710
Energy (Electricity)	1,900,000	33,245	1,933,245	1,932,323	922
Other Objects	-	21,969	21,969	20,860	1,109
Total Custodial Services	7,603,462	364,734	7,968,196	7,822,976	145,220
Care and Upkeep of Grounds					
Salaries	479,067	26,250	505,317	478,427	26,890
Cleaning, Repair and Maintenance Svc.	164,737	79,208	243,945	211,181	32,764
General Supplies	35,000	14,899	49,899	43,589	6,310
Other Objects	-	2,700	2,700	2,427	273
Total Care and Upkeep of Grounds	678,804	123,057	801,861	735,624	66,237
Security					
Salaries	495,299	94,800	590,099	575,666	14,433
Cleaning, Repair and Maintenance Svc.	311,800	7,161	318,961	310,158	8,803
General Supplies	136,000	(30,562)	105,438	103,237	2,201
Other Objects	3,752	(2,899)	853	821	32
Total Security	946,851	68,500	1,015,351	989,882	25,469
Student Transportation Services					
Non-Instructional Aides	188,694	5,000	193,694	188,833	4,861
Salaries for Pupil Trans (Bet. Home & Sch)-Reg.	1,217,709	43,623	1,261,332	1,230,122	31,210
Unused Vacation Payment to Terminated/Retired Staff		24,850	24,850	24,113	737
Management Fee- ESC & CTSA Trans. Program	57,201	(5,100)	52,101	50,923	1,178
Other Purchased Professional & Technical Services		46,049	46,049	46,049	-
Cleaning, Repair and Maintenance Svc.	134,000	(10,681)	123,319	123,202	117
Lease Purchase Payments- School Buses	145,615	(19,000)	126,615	125,004	1,611
Contract Services- Aid in Lieu Pymts-NonPub Sch	327,080	8,840	335,920	329,962	5,958
Contracted Services (Bet. Home and School)- Vendors	3,795,113	(483,100)	3,312,013	3,296,941	15,072
Contracted Services (Oth. Than Bet Home & School)- Vendors	333,285	(212,500)	120,785	120,561	224
Contracted Services (Sp. Ed. Stds)- Vendors	20,000	28,500	48,500	38,441	10,059
Contracted Services (Special Education Students)- Joint Agreements	3,000	-	3,000	2,700	300
Contracted Services (Reg. Students)-ESCs & CTSA	651,508	(160,366)	491,142	490,539	603
Contracted Services (Spec. Ed. Students)-ESCs & CTSA	1,693,000	611,600	2,304,600	2,304,555	45
Travel		2,080	2,080	1,099	981
Misc. Purchased Services	112,140	(2,080)	110,060	105,649	4,411
General Supplies		30,160	30,160	26,523	3,637
Transportation Supplies	141,210	(84,210)	57,000	56,966	34
Other Objects	12,200	3,500	15,700	15,248	452
Total Student Transportation Services	8,831,755	(172,835)	8,658,920	8,577,430	81,490
Unallocated Benefits - Employee Benefits					
Social Security Contributions	2,000,000	24,416	2,024,416	1,858,645	165,771
Other Retirement Contribution-ERIP	33,000	-	33,000	25,596	7,404
Other Retirement Contribution-DCRP	40,000	-	40,000	36,652	3,348
Other Retirement Contribution-PERS	2,000,000	-	2,000,000	1,990,553	9,447
Unemployment Compensation		-			-
Worker's Compensation	338,466	-	338,466	-	338,466
Health Benefits	16,200,000	(183,109)	16,016,891	16,012,680	4,211
Tuition Reimbursement	325,000	151,104	476,104	204,686	271,418
Unused Sick Payment to Terminated/Retired Staff	200,000	328,168	528,168	514,520	13,648
Total Unallocated Benefits - Employee Benefits	21,136,466	320,579	21,457,045	20,643,332	813,713

**WEST ORANGE BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
TPAF Pension Contribution (Non Budgeted)					
Normal Pension Contribution				\$ 4,667,518	\$ (4,667,518)
NCGI Contributions				232,506	(232,506)
Post Retirement				5,834,575	(5,834,575)
TPAF Social Security Contribution (Non Budgeted)	-	-	-	4,557,046	(4,557,046)
	-	-	-	<u>15,291,645</u>	<u>(15,291,645)</u>
Total Undistributed Expenditures	\$ 73,758,297	\$ 806,839	\$ 74,565,136	87,994,301	(13,429,165)
Total Current Expenditures	<u>136,997,051</u>	<u>637,599</u>	<u>137,634,650</u>	<u>149,453,582</u>	<u>(11,818,932)</u>
CAPITAL OUTLAY					
Equipment					
Grades 1-5	70,000	(37,968)	32,032	32,032	
Grades 6-5	94,382	(14,895)	79,487	79,486	1
Grades 9-12	9,069	12,465	21,534	21,534	
School Sponsored and Other Instructional Programs	36,000	2,572	38,572	38,572	
Undistributed Expenditures					
Instructional	165,132	32,583	197,715	197,676	39
Support Services-Students-Special		6,244	6,244	5,464	780
School Admin		2,767	2,767	2,767	-
Central Services		11,996	11,996	11,996	
Custodial Services		12,904	12,904	5,104	7,800
Non-Instructional Services	-	2,400	2,400	2,397	3
Total Equipment	<u>374,583</u>	<u>31,068</u>	<u>405,651</u>	<u>397,028</u>	<u>8,623</u>
Facilities and Acquisitions					
Architectural/Engineering Services		2,310	2,310	2,310	
Construction Services	519,000	-	519,000	496,197	22,803
Other Objects	114,991	-	114,991	114,991	-
Total Facilities and Acquisitions	<u>633,991</u>	<u>2,310</u>	<u>636,301</u>	<u>613,498</u>	<u>22,803</u>
Total Capital Outlay	<u>1,008,574</u>	<u>33,378</u>	<u>1,041,952</u>	<u>1,010,526</u>	<u>31,426</u>
TRANSFER OF FUNDS TO CHARTER SCHOOLS					
Transfer of Funds to Charter Schools	290,258	-	290,258	158,493	131,765
Total Transfer of Funds to Charter Schools	<u>290,258</u>	<u>-</u>	<u>290,258</u>	<u>158,493</u>	<u>131,765</u>
Total Expenditures - General Fund	<u>138,295,883</u>	<u>670,977</u>	<u>138,966,860</u>	<u>150,622,601</u>	<u>(11,655,741)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(2,619,000)	(670,977)	(3,289,977)	623,979	3,913,956
Excess (Deficiency) of Revenues Over (Under) Expenditures and Financing Sources					
	(2,619,000)	(670,977)	(3,289,977)	623,979	3,913,956
Fund Balances, Beginning of Year	6,163,365	-	6,163,365	6,163,365	-
Fund Balances, End of Year	<u>\$ 3,544,365</u>	<u>\$ (670,977)</u>	<u>\$ 2,873,388</u>	<u>\$ 6,787,344</u>	<u>\$ 3,913,956</u>
Recapitulation of Fund Balance					
Restricted					
SEMI- Designated for Subsequent Year's Expenditures				\$ 120,439	
Capital Reserve-Designated for Subsequent Year's Expenditures (2016/17 Budget)				152,400	
Capital Reserve				175	
Committed					
Year-End Encumbrances				2,583,598	
Assigned					
Year-End Encumbrances				67,640	
Designated in Subsequent Year's Budget (2016/17 Budget)				2,100,000	
Unassigned Fund Balance				<u>1,763,092</u>	
				6,787,344	
Less State Aid not Recognized on a GAAP Basis				<u>(2,077,193)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,710,151</u>	

**WEST ORANGE BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources		\$ 38,810	\$ 38,810	\$ 13,563	\$ (25,247)
State Sources	420,903	90,934	511,837	475,259	(36,578)
Federal Sources	<u>2,501,370</u>	<u>649,094</u>	<u>3,150,464</u>	<u>2,815,261</u>	<u>(335,203)</u>
Total Revenues	<u>2,922,273</u>	<u>778,838</u>	<u>3,701,111</u>	<u>3,304,083</u>	<u>(397,028)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers		725,675	725,675	706,830	18,845
Purchased Prof & Technical Services	16,074	81,774	97,848	74,502	23,346
Tuition	1,561,977	4,024	1,566,001	1,566,001	-
General Supplies	47,800	270,650	318,450	185,751	132,699
Textbooks	<u>77,079</u>	<u>9,200</u>	<u>86,279</u>	<u>80,186</u>	<u>6,093</u>
Total Instruction	<u>1,702,930</u>	<u>1,091,323</u>	<u>2,794,253</u>	<u>2,613,270</u>	<u>180,983</u>
Support Services					
Salaries		5,998	5,998	4,458	1,540
Other Salaries		2,870	2,870	2,870	-
Salaries of Teachers	891,593	(891,593)		-	-
Salaries of Program Directors		31,835	31,835	30,500	1,335
Employee Benefits		187,857	187,857	177,269	10,588
Purchased Prof. and Technical Services	327,750	182,482	510,232	449,472	60,760
Purchased Professional-Education Services	-	105,691	105,691	5,100	100,591
Other Purchased Services		43,924	43,924	20,209	23,715
General Supplies	<u>-</u>	<u>18,451</u>	<u>18,451</u>	<u>935</u>	<u>17,516</u>
Total Support Services	<u>1,219,343</u>	<u>(312,485)</u>	<u>906,858</u>	<u>690,813</u>	<u>216,045</u>
Total Expenditures	<u>2,922,273</u>	<u>778,838</u>	<u>3,701,111</u>	<u>3,304,083</u>	<u>397,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 151,246,580	\$ 3,304,083
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2016		(7,784)
Encumbrances, June 30, 2015 (Net of Cancellations)		10,348
State Aid Payments not recognized for GAAP purposes, not recognized for budgetary statements (2014/15 State Aid)	663,473	
State Aid Payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year (2015/2016 State Aid)	<u>(2,077,193)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 149,832,860</u>	<u>\$ 3,306,647</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 150,622,601	\$ 3,304,083
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances, June 30, 2016		(7,784)
Encumbrances, June 30, 2015	<u>\$ -</u>	<u>10,348</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 150,622,601</u>	<u>\$ 3,306,647</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.22313%	0.21477%	0.22573%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 50,089,583</u>	<u>\$ 42,264,361</u>	<u>\$ 41,048,410</u>
District's Covered-Employee Payroll	<u>\$ 14,864,513</u>	<u>\$ 15,149,651</u>	<u>\$ 15,849,310</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	336.97%	278.98%	258.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	48.72%	52.08%

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

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

**WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,990,053	\$ 1,931,610	1,687,381
Contributions in Relation to the Contractually Required Contribution	<u>(1,990,553)</u>	<u>(1,931,610)</u>	<u>(1,687,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 14,864,513</u>	<u>\$ 15,149,651</u>	<u>\$ 15,849,310</u>
Contributions as a Percentage of Covered-Employee Payroll	13.39%	12.75%	10.65%

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

**WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 378,058,467</u>	<u>\$ 315,386,995</u>	<u>\$ 298,375,976</u>
Total	<u>\$ 378,058,467</u>	<u>\$ 315,386,995</u>	<u>\$ 298,375,976</u>
District's Covered-Employee Payroll	<u>\$ 63,894,046</u>	<u>\$ 63,901,803</u>	<u>\$ 61,049,803</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	591.70%	493.55%	488.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

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

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

**WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Board of Education Employees' Pension Fund of Essex County

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.618%	0.639%	0.667%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 220,610</u>	<u>\$ 246,206</u>	<u>\$ 265,826</u>
District's Covered-Employee Payroll	\$ -	\$ -	\$ -
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	75.92%	76.05%

* Fiduciary Net Position Excludes an Amount Designated for Insurance Benefits of \$18,914,961 for fiscal year ending June 30, 2014 and \$19,628,046 for the fiscal year ending June 30, 2015.

Note : This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ORANGE BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Board of Education Employees' Pension Fund of Essex County

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 25,596	\$ 37,410	\$ 31,418
Contributions in Relation to the Contractually Required Contribution	<u>(25,596)</u>	<u>(37,410)</u>	<u>(31,418)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%

Note : This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WEST ORANGE BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net position liability and statutorily required employer contribution are presented in Note 4 and Note 5.

SPECIAL REVENUE FUND

**WEST ORANGE BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Title I</u>	<u>Carl A. Perkins</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Title IIA</u>	<u>Nonpublic Technology</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Nursing</u>	<u>Total Page 2</u>	<u>Total</u>
REVENUES										
Local									\$ 13,563	\$ 13,563
State						\$ 37,932	\$ 80,186	\$ 136,350	220,791	475,259
Federal	\$ 813,931	\$ 42,616	\$ 1,685,448	\$ 65,678	\$ 124,767	-	-	-	82,821	2,815,261
Total Revenues	\$ 813,931	\$ 42,616	\$ 1,685,448	\$ 65,678	\$ 124,767	\$ 37,932	\$ 80,186	\$ 136,350	\$ 317,175	\$ 3,304,083
EXPENDITURES										
Instruction										
Salaries of Teachers	\$ 575,449				\$ 97,037				\$ 34,344	\$ 706,830
Purchased Prof. and Technical Services	4,064	\$ 12,609							57,829	74,502
Other Purchased Services									-	-
Textbooks							\$ 80,186			80,186
Tuition			\$ 1,500,323	\$ 65,678						1,566,001
Supplies	31,094	26,331	13,347	-	-	\$ 37,932	-	-	77,047	185,751
Total Instruction	610,607	38,940	1,513,670	65,678	97,037	37,932	80,186	-	169,220	2,613,270
Support Services										
Salaries	913								3,545	4,458
Salaries of Teachers	-									-
Other Salaries		2,870								2,870
Salaries of Program Directors	30,500									30,500
Salaries of Secretarial and Clerical Assistants										-
Employee Benefits	149,949	220			24,201				2,899	177,269
Purchased Prof. and Technical Services	18,967		166,678					\$ 136,350	127,477	449,472
Purchase Professional-Educational Services	-		5,100							5,100
Other Purchased Services	2,060	586			3,529				14,034	20,209
Supplies	935	-	-	-	-	-	-	-	-	935
Total Support Services	203,324	3,676	171,778	-	27,730	-	-	136,350	147,955	690,813
Total Expenditures	\$ 813,931	\$ 42,616	\$ 1,685,448	\$ 65,678	\$ 124,767	\$ 37,932	\$ 80,186	\$ 136,350	\$ 317,175	\$ 3,304,083

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**WEST ORANGE BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Title III	Title III-Immigrant	Non Public Chapter 192			Non Public Chapter 193			Local Grants	Total Page 2
			Home Instruction	Compens. Education	Nonpublic Security	Exam. And Class	Corrective Speech	Supplem. Instruction		
REVENUES										
Local									\$ 13,563	\$ 13,563
State			\$ 6,093	\$ 11,083	\$ 35,485	\$ 127,477	\$ 12,958	\$ 27,695		220,791
Federal	\$ 53,247	\$ 29,574	-	-	-	-	-	-	-	82,821
Total Revenues	\$ 53,247	\$ 29,574	\$ 6,093	\$ 11,083	\$ 35,485	\$ 127,477	\$ 12,958	\$ 27,695	\$ 13,563	\$ 317,175
EXPENDITURES										
Instruction										
Salaries of Teachers	\$ 34,344									\$ 34,344
Purchased Prof. and Technical Services			\$ 6,093	\$ 11,083			\$ 12,958	\$ 27,695		57,829
Purchased Professional-Educational Services										-
Other Purchased Services										-
Other Professional Services										-
Textbooks										-
Supplies	8,534	\$ 29,574	-	-	\$ 35,485	-	-	-	\$ 3,454	77,047
Total Instruction	42,878	29,574	6,093	11,083	35,485	-	12,958	27,695	3,454	169,220
Support Services										
Salaries	3,545									3,545
Purchased Prof. and Technical Services						\$ 127,477				127,477
Employee Benefits	2,899									2,899
Other Professional Services										-
Other Purchased Services	3,925								10,109	14,034
Contracted Services -Transportation										-
Supplies										-
Travel	-	-	-	-	-	-	-	-	-	-
Total Support Services	10,369	-	-	-	-	127,477	-	-	10,109	147,955
Total Expenditures	\$ 53,247	\$ 29,574	\$ 6,093	\$ 11,083	\$ 35,485	\$ 127,477	\$ 12,958	\$ 27,695	\$ 13,563	\$ 317,175

**WEST ORANGE BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION PROGRAM AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

**WEST ORANGE BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Balance, June 30, 2016</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Energy Savings Incentive Program	\$ 11,520,000	-	\$ 3,226,090	\$ 8,293,910
Lease Purchase- School Vehicles	310,739			310,739
Lease Purchase- Computers	989,796	-	989,796	-
	<u>\$ 12,820,535</u>	<u>\$ -</u>	<u>\$ 4,215,886</u>	<u>\$ 8,604,649</u>
Project Balances, June 30, 2016				\$ 8,604,649
Reserved for Payment of Lease Purchase				<u>440</u>
Fund Balance, June 30, 2016 (GAAP Basis)				<u>\$ 8,605,089</u>
<u>Recapitulation of Fund Balance</u>				
Restricted:				
Year-End Encumbrances				\$ 8,604,649
Reserved for Payment of Lease Purchase				<u>440</u>
Total Fund Balance - Restricted for Capital Projects				<u>\$ 8,605,089</u>

**WEST ORANGE BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

REVENUES AND OTHER FINANCING SOURCES

Revenues	
Interest Income	\$ 440
Other Financing Sources	
Lease Purchase Proceeds	<u>12,820,535</u>
Total Revenues and Other Financing Sources	<u>12,820,975</u>

EXPENDITURES AND OTHER FINANCING USES

Construction Services	2,706,332
Purchased Professional and Technical Services	519,758
Supplies	<u>989,796</u>
Total Expenditures and Other Financing Uses	<u>4,215,886</u>
Excess of Revenues Over Expenditures	8,605,089
Fund Balance, July 1, 2015	<u>-</u>
Fund Balance, June 30, 2016	<u>\$ 8,605,089</u>

**WEST ORANGE BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
2016 ESIP LEASE
FROM INCEPTION AND FOR THE FISCAL 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				
Lease Proceeds	\$ -	\$ 11,520,000	\$ 11,520,000	\$ 11,520,000
Total Revenues	-	11,520,000	11,520,000	11,520,000
Expenditures and Other Financing Uses				
Construction Services		2,706,332	2,706,332	10,825,326
Purchased Professional and Technical Services	-	519,758	519,758	694,674
Total Expenditures	-	3,226,090	3,226,090	11,520,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 8,293,910	\$ 8,293,910	\$ -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 11,520,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 11,520,000

Percentage Increase Over Original
Authorized Cost

Percentage Completion	28%
Original Target Completion Date	2016/2017
Revised Target Completion Date	2016/2017

**WEST ORANGE BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
2016 LEASE PURCHASE AGREEMENT- ACQUISITION OF VEHICLES
FROM INCEPTION AND FOR THE FISCAL 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				
Lease Purchase Proceeds	\$ -	\$ 310,739	\$ 310,739	\$ 310,739
Total Revenues	<u>-</u>	<u>310,739</u>	<u>310,739</u>	<u>310,739</u>
Expenditures and Other Financing Uses				
Equipment		-	-	310,739
Purchased Professional and Technical Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,739</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 310,739</u>	<u>\$ 310,739</u>	<u>\$ -</u>
 Additional Project Information:				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost	\$	310,739		
Additional Authorized Cost	\$	-		
Revised Authorized Cost	\$	310,739		
 Percentage Increase Over Original Authorized Cost				
Percentage Completion		0%		
Original Target Completion Date		2016/2017		
Revised Target Completion Date		2016/2017		

**WEST ORANGE BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS
2016 LEASE PURCHASE AGREEMENT- ACQUISITION OF COMPUTERS
FROM INCEPTION AND FOR THE FISCAL 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				
Lease Purchase Proceeds	\$ -	\$ 989,796	\$ 989,796	\$ 989,796
 Total Revenues	 -	 989,796	 989,796	 989,796
Expenditures and Other Financing Uses				
Supplies		989,796	989,796	989,796
Purchased Professional and Technical Services	-	-	-	-
 Total Expenditures	 -	 989,796	 989,796	 989,796
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 989,796
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 989,796

Percentage Increase Over Original Authorized Cost	
Percentage Completion	100%
Original Target Completion Date	2015/2016
Revised Target Completion Date	2015/2016

ENTERPRISE FUNDS

**WEST ORANGE BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**WEST ORANGE BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 549,475	\$ 3,469,888	\$ 4,019,363
Due from Other Funds		27,362	27,362
Cash with Fiscal Agent	-	6,666	6,666
	<u>549,475</u>	<u>3,503,916</u>	<u>4,053,391</u>
Total Assets	<u>\$ 549,475</u>	<u>\$ 3,503,916</u>	<u>\$ 4,053,391</u>
LIABILITIES			
Due to Student Groups	\$ 549,475		\$ 549,475
Interfund Accounts Payable:			
General Fund		\$ 32,668	32,668
Unemployment Fund		34,154	34,154
Accrued Salaries and Wages		224,876	224,876
Payroll Deductions and Withholdings		3,205,552	3,205,552
Reserve for Flexible Spending	-	6,666	6,666
	<u>549,475</u>	<u>3,503,916</u>	<u>4,053,391</u>
Total Liabilities	<u>\$ 549,475</u>	<u>\$ 3,503,916</u>	<u>\$ 4,053,391</u>

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**WEST ORANGE BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2016</u>
ELEMENTARY SCHOOLS				
Gregory	\$ 2,935	\$ 17,093	\$ 14,375	\$ 5,653
Saint Cloud	8,761	30,877	27,403	12,235
Hazel Avenue	2,808	3,369	2,504	3,673
Kelly School (Formerly Pleasantdale)	12,507	3,585	8,585	7,507
Washington	6,614	7,007	6,421	7,200
Mount Pleasant	3,377	14,276	10,380	7,273
Redwood	1,137	17,494	13,497	5,134
MIDDLE SCHOOLS				
Roosevelt	25,929	196,739	185,070	37,598
Edison	12,254	56,833	61,701	7,386
Liberty	50,983	117,982	115,823	53,142
SENIOR HIGH SCHOOL				
West Orange High School	355,872	370,142	333,977	392,037
ATHLETICS				
High School	10,435	99,440	105,494	4,381
Roosevelt Middle School		5,740	3,485	2,255
Liberty Middle School	-	7,915	3,914	4,001
	<u>\$ 493,612</u>	<u>\$ 948,492</u>	<u>\$ 892,629</u>	<u>\$ 549,475</u>

**PAYROLL AGENCY FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance,</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2016</u>
Payroll Deductions and Withholdings	\$ 738,269	\$ 48,510,509	\$ 46,043,226	\$ 3,205,552
Interfund Payable/Receivable	27,362		66,822	94,184
Accrued Salaries and Wages	3,023,845	49,025,472	51,851,803	197,514
Reserve for Flexible Spending	15,847	246,800	255,981	6,666
	<u>\$ 3,805,323</u>	<u>\$ 97,782,781</u>	<u>\$ 98,217,832</u>	<u>\$ 3,503,916</u>

LONG-TERM DEBT

**WEST ORANGE BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2016</u>
2006 School Bonds	7/19/2006	\$ 4,387,000	7/15/2016	\$ 315,000	4.250 %	\$ 2,412,000		\$ 2,097,000	\$ 315,000
2012 School Refunding Bonds	1/19/2012	31,535,000	11/1/2016	1,400,000	3.000				
			11/1/2017	1,775,000	4.000				
			11/1/2018	1,935,000	4.000				
			11/1/2019	2,025,000	5.000				
			11/1/2020	2,115,000	4.000				
			11/1/2021	2,220,000	5.000				
			11/1/2022	2,325,000	4.000				
			11/1/2023	2,425,000	5.000				
			11/1/2024	2,515,000	2.625				
			11/1/2025	3,355,000	2.750				
			11/1/2026	3,470,000	4.000				
			11/1/2027	3,575,000	3.000	30,435,000		1,300,000	29,135,000
2015 School Refunding	3/13/2015	\$ 1,775,000	7/15/2017	330,000	3.000				
			7/15/2018	340,000	4.000				
			7/15/2019	355,000	4.000				
			7/15/2020	370,000	4.000				
			7/15/2021	380,000	4.000				
						-	\$ 1,775,000	-	1,775,000
						<u>\$ 32,847,000</u>	<u>\$ 1,775,000</u>	<u>\$ 3,397,000</u>	<u>\$ 31,225,000</u>
						Paid by Budget Appropriation		\$ 1,600,000	
						Bonds Refunded		<u>1,797,000</u>	
								<u>\$ 3,397,000</u>	

**WEST ORANGE BOARD OF EDUCATION
LONG TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2016</u>
Construction Improvements- Roosevelt Middle School & West Orange High School	12/15/97	\$ 10,968,000	10/1/16	\$ 260,000	5.125 %	\$ 730,000		\$ 470,000	\$ 260,000
Refunding Certificates	11/1/04	34,910,000				27,510,000		27,510,000	-
Refunding Certificates	09/26/06	5,610,000	10/1/16	275,000	4.750				
				560,000	5.000				
				585,000	3.900				
				610,000	4.000				
				635,000	4.000				
				655,000	4.000				
				680,000	4.150				
				710,000	4.150				
				740,000	4.150	5,490,000		40,000	5,450,000
2015 Refunding Certificates	10/22/15	25,475,000	10/1/16	1,605,000	2.000				
			10/1/17	1,320,000	2.303				
			10/1/18	1,265,000	2.356				
			10/1/19	1,295,000	2.753				
			10/1/20	1,330,000	2.620				
			10/1/21	1,375,000	3.338				
			10/1/22	1,835,000	5.000				
			10/1/23	1,935,000	5.000				
			10/1/24	2,040,000	5.000				
			10/1/25	2,135,000	5.000				
			10/1/26	2,225,000	3.000				
			10/1/27	2,300,000	3.000				
			10/1/28	2,370,000	3.125				
			10/1/29	2,445,000	3.250				
						-	\$ 25,475,000	-	25,475,000
						\$ 33,730,000	\$ 25,475,000	\$ 28,020,000	\$ 31,185,000
								\$ 1,860,000	
								26,160,000	
								\$ 28,020,000	

**WEST ORANGE BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 5,084,539		\$ 5,084,539	\$ 5,084,539	
State Sources					
Debt Service Aid	964,836	-	964,836	964,836	
Miscellaneous	-	-	-	-	-
Total Revenues	<u>6,049,375</u>	<u>-</u>	<u>6,049,375</u>	<u>6,049,375</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	3,460,000		3,460,000	3,460,000	
Interest	2,624,637	-	2,624,637	2,415,216	\$ 209,421
Cost of Issuance on Refunding Bonds	-	-	-	499,298	(499,298)
Total Expenditures	<u>6,084,637</u>	<u>-</u>	<u>6,084,637</u>	<u>6,374,514</u>	<u>(289,877)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(35,262)</u>	<u>-</u>	<u>(35,262)</u>	<u>(325,139)</u>	<u>(289,877)</u>
Other Financing Sources (Uses)					
Refunding Bond Issued				1,775,000	1,775,000
Refunding COPs Proceeds				25,475,000	25,475,000
Premium on Issuance of Refunding Bonds				1,448,668	1,448,668
Transfer to Escrow Agent - Bonds			-	(1,871,064)	(1,871,064)
Transfer to Escrow Agent - COPS	-	-	-	(26,328,306)	(26,328,306)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,298</u>	<u>499,298</u>
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	<u>(35,262)</u>	<u>-</u>	<u>(35,262)</u>	<u>174,159</u>	<u>209,421</u>
Fund Balance, Beginning of Year	<u>40,415</u>	<u>-</u>	<u>40,415</u>	<u>40,415</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,153</u>	<u>\$ -</u>	<u>\$ 5,153</u>	<u>\$ 214,574</u>	<u>\$ 209,421</u>

Recapitulation of Fund Balance:

Restricted for Debt Service:

Designed for Subsequent Year's Expenditures	\$ 209,421
Available for Debt Service Expenditures	<u>5,153</u>

	<u>\$ 214,574</u>
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STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014 (Restated)	2015 (Restated)	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 33,204,821	\$ 41,953,320	\$ 47,151,986	\$ 50,892,444	\$ 50,380,283	\$ 52,834,155	\$ 56,057,197	\$ 59,644,905	\$ 6,206,060	\$ 5,013,062
Restricted	5,546,951	1,627,374	2,338,655	2,839,791	233,986	1,793,274	3,758,926	2,429,584	689,187	367,589
Unrestricted (Deficit)	421,876	392,974	439,125	281,211	6,023,672	6,092,157	3,891,653	(37,928,804)	(41,271,909)	(43,374,143)
Total Governmental Activities Net Position	\$ 39,173,648	\$ 43,973,668	\$ 49,929,766	\$ 54,013,446	\$ 56,637,941	\$ 60,719,586	\$ 63,707,776	\$ 24,145,685	\$ (34,376,662)	\$ (37,993,492)
Business-Type Activities										
Net Investment in Capital Assets	\$ 140,584	\$ 119,811	\$ 99,185	\$ 92,092	\$ 92,083	\$ 108,294	\$ 96,465	\$ 78,903	\$ 837,743	\$ 717,879
Unrestricted	127,790	176,879	194,534	301,066	328,461	273,341	177,115	277,446	341,939	504,402
Total Business-Type Activities Net Position	\$ 268,374	\$ 296,690	\$ 293,719	\$ 393,158	\$ 420,544	\$ 381,635	\$ 273,580	\$ 356,349	\$ 1,179,682	\$ 1,222,281
District-Wide										
Net Investment in Capital Assets	\$ 33,345,405	\$ 42,073,131	\$ 47,251,171	\$ 50,984,536	\$ 50,472,366	\$ 52,942,449	\$ 56,153,662	\$ 59,723,808	\$ 7,043,803	\$ 5,730,941
Restricted	5,546,951	1,627,374	2,338,655	2,839,791	233,986	1,793,274	3,758,926	2,429,584	689,187	367,589
Unrestricted	549,666	569,853	633,659	582,277	6,352,133	6,365,498	4,068,768	(37,651,358)	(40,929,970)	(42,869,741)
Total District Net Position	\$ 39,442,022	\$ 44,270,358	\$ 50,223,485	\$ 54,406,604	\$ 57,058,485	\$ 61,101,221	\$ 63,981,356	\$ 24,502,034	\$ (33,196,980)	\$ (36,771,211)

Source: District Financial Statements

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	55,964,073	57,013,784	58,023,770	\$ 61,320,997	\$ 62,779,576	\$ 63,124,740	\$ 67,921,457	\$ 70,270,423	\$ 77,479,168	\$ 74,210,221
Special Education	9,556,897	10,675,424	11,453,222	11,761,960	12,705,738	13,859,402	13,473,571	13,731,125	15,851,405	32,776,729
Vocational Instruction-Tuition										175,783
Other Special Education	2,027,170	2,081,762	2,614,997	2,719,469	2,728,498	2,713,054	3,090,471	2,991,100	3,331,767	5,293,464
Other Instruction	1,191,701	1,171,820	1,327,468	1,401,680	1,467,081	1,366,657	1,522,544	1,509,617	1,465,571	2,687,502
Support Services:										
Tuition	5,403,180	6,177,732	6,823,201	7,727,502	6,723,081	7,653,063	8,120,169	8,966,563	7,361,760	
Student and Instruction Related Services	13,996,458	15,232,245	15,013,419	15,889,197	16,232,826	15,687,467	16,959,236	14,233,945	18,851,833	21,589,825
General Administration Services	1,530,328	1,384,844	1,249,755	1,233,674	1,559,078	1,554,498	1,643,528	1,542,055	2,135,783	2,373,226
School Administration Services	8,286,708	8,987,524	8,621,105	8,793,394	8,112,122	8,015,389	9,077,291	9,679,931	10,968,183	8,729,484
Central Services	1,027,254	1,066,602	1,143,869	1,137,355	1,361,413	1,245,356	1,189,487	1,221,056	2,243,400	
Administrative Technology Information	58,982		53,861						546,073	
Business and Other Support Services										4,484,056
Plant Operations And Maintenance	8,341,489	9,914,204	10,225,594	10,459,024	11,044,828	11,074,567	10,877,947	11,250,987	15,505,138	16,421,279
Pupil Transportation	8,440,917	8,601,742	8,382,024	8,607,090	7,789,494	8,086,301	7,869,401	8,120,910	8,696,611	9,025,725
Capital Outlay	853,095	857,848	56,547							
Interest On Long-Term Debt	3,873,067	4,680,497	4,606,425	4,227,907	3,742,912	3,140,282	3,287,639	3,108,497	2,977,679	3,222,707
Transfer of Funds to Charter Schools									255,172	
Unallocated Depreciation	522,506	724,138	877,802	1,052,340	2,366,214	2,507,544	2,675,170	2,874,763	5,121,756	-
Total Governmental Activities Expenses	121,073,825	128,570,166	130,473,059	136,331,589	138,612,861	140,028,320	147,707,911	149,500,972	172,791,299	180,990,001
Business-Type Activities										
Food Service	2,344,684	2,511,852	2,666,765	2,740,607	2,995,896	3,187,324	3,392,440	3,178,570	3,448,198	3,679,776
Community Education	-	-	-	-	-	-	-	-	133,754	127,773
Total Business-Type Activities Expense	2,344,684	2,511,852	2,666,765	2,740,607	2,995,896	3,187,324	3,392,440	3,178,570	3,581,952	3,807,549
Total District Expenses	\$ 123,418,509	\$ 131,082,018	\$ 133,139,824	\$ 139,072,196	\$ 141,608,757	\$ 143,215,644	\$ 151,100,351	\$ 152,679,542	\$ 176,373,251	\$ 184,797,550
Program Revenues										
Governmental Activities										
Charges For Services	\$ 125,765	\$ 167,371	\$ 132,478	\$ 333,680	\$ 194,732	\$ 445,612	\$ 440,999	\$ 578,707	\$ 311,761	\$ 332,145
Operating Grants and Contributions	19,752,679	20,609,502	16,727,234	17,783,181	13,605,856	17,292,453	21,211,385	19,047,102	35,456,743	42,770,535
Capital Grants and Contributions	1,041,747	1,039,023	741,147	147,336	43,124	-	-	-	-	-
Total Governmental Activities Program Revenues	20,920,191	21,815,896	17,600,859	18,264,197	13,843,712	17,738,065	21,652,384	19,625,809	35,768,504	43,102,680
Business-Type Activities										
Charges For Services										
Food Service	1,485,796	1,493,696	1,455,770	1,481,571	1,498,628	1,516,275	1,444,524	1,496,008	1,585,176	2,080,794
Community Education										145,768
Operating Grants And Contributions	901,555	1,046,276	1,207,738	1,358,286	1,524,590	1,632,067	1,839,844	1,765,304	1,886,516	1,623,552
Total Business Type Activities Program Revenues	2,387,351	2,539,972	2,663,508	2,839,857	3,023,218	3,148,342	3,284,368	3,261,312	3,633,975	3,850,114
Total District Program Revenues	\$ 23,307,542	\$ 24,355,868	\$ 20,264,367	\$ 21,104,054	\$ 16,866,930	\$ 20,886,407	\$ 24,936,752	\$ 22,887,121	\$ 39,402,479	46,952,794
Net (Expense)/Revenue										
Governmental Activities										
Governmental Activities	\$ (100,153,634)	\$ (106,754,270)	\$ (112,872,200)	\$ (118,067,392)	\$ (124,769,149)	\$ (122,290,255)	\$ (126,055,527)	\$ (129,875,163)	\$ (137,022,795)	\$ (137,887,321)
Business-Type Activities										
Business-Type Activities	42,667	28,120	(3,257)	99,250	27,322	(38,982)	(108,072)	82,742	52,023	42,565
Total District-Wide Net Expenses	\$ (100,110,967)	\$ (106,726,150)	\$ (112,875,457)	\$ (117,968,142)	\$ (124,741,827)	\$ (122,329,237)	\$ (126,163,599)	\$ (129,792,421)	\$ (136,970,772)	\$ (137,844,756)

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Property Taxes Levied For General Purposes, Net	\$ 95,139,489	\$ 101,917,933	\$ 107,215,360	\$ 109,933,212	\$ 115,506,733	\$ 114,498,112	\$ 119,000,131	\$ 120,538,165	\$ 125,184,960	\$ 126,326,356
Taxes Levied For Debt Service	5,024,209	5,411,172	5,269,175	5,420,427	5,242,559	5,328,071	4,931,874	5,322,238	4,952,981	5,084,539
Federal and State Aid - Unrestricted	2,788,890	3,388,443	5,729,273	6,068,467	6,105,727	4,846,412	5,016,044	4,851,117	5,253,271	2,268,165
Investment Earnings	929,244	550,146	261,723	77,776	50,169	21,484	11,368	7,977	5,139	6,802
Miscellaneous Income	80,046	286,596	352,767	651,190	488,456	542,729	741,945	907,811	256,959	584,629
Transfers	-	-	-	-	-	500,000	-	-	-	-
Total Governmental Activities	103,961,878	111,554,290	118,828,298	122,151,072	127,393,644	125,736,808	129,701,362	131,627,308	135,653,310	134,270,491
Business-Type Activities										
Investment Earnings	159	196	286	189	64	73	17	27	15	34
Total Business-Type Activities	159	196	286	189	64	73	17	27	15	34
Total District-Wide	\$ 103,962,037	\$ 111,554,486	\$ 118,828,584	\$ 122,151,261	\$ 127,393,708	\$ 125,736,881	\$ 129,701,379	\$ 131,627,335	\$ 135,653,325	\$ 134,270,525
Change in Net Position										
Governmental Activities	\$ 3,808,244	\$ 4,800,020	\$ 5,956,098	\$ 4,083,680	\$ 2,624,495	\$ 3,446,553	\$ 3,645,835	\$ 1,752,145	\$ (1,369,485)	\$ (3,616,830)
Business-Type Activities	42,826	28,316	(2,971)	99,439	27,386	(38,909)	(108,055)	82,769	52,038	42,599
Total District	\$ 3,851,070	\$ 4,828,336	\$ 5,953,127	\$ 4,183,119	\$ 2,651,881	\$ 3,407,644	\$ 3,537,780	\$ 1,834,914	\$ (1,317,447)	\$ (3,574,231)

Note - Prior to fiscal year ended June 30, 2016, the District did not allocate certain expenditures by function (i.e., tuition, depreciation and transfer of funds to charter schools).

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 209,438	\$ 90,918	\$ 1,537,579	\$ 2,086,766						
Unreserved	2,959,135	2,749,413	3,278,928	2,835,041						
Restricted					\$ 1	\$ 1,349,220	\$ 3,860,212	\$ 2,393,105	\$ 648,772	\$ 273,014
Committed										2,583,598
Assigned					1,898,887	2,651,226	1,267,417	1,047,827	2,483,080	2,167,640
Unassigned	-	-	-	-	3,417,328	2,827,610	2,513,648	2,511,440	2,368,040	(314,101)
Total General Fund	\$ 3,168,573	\$ 2,840,331	\$ 4,816,507	\$ 4,921,807	\$ 5,316,216	\$ 6,828,056	\$ 7,641,277	\$ 5,952,372	\$ 5,499,892	\$ 4,710,151
All Other Governmental Funds										
Unreserved (Deficit):										
Special Revenue Fund	\$ (23,362)	\$ (8,369)								
Capital Projects Fund	4,084,123	617,429	\$ 150,532	\$ 30,872						
Debt Service Fund	155,537	281,510	128,726	693,188						
Restricted/Reserved for:										
Capital Projects Fund	1,121,215	645,886	521,818	28,965	\$ 59,864	\$ 54,864	\$ 42,364			\$ 8,605,089
Debt Service Fund	-	-	-	-	174,121	389,190	1,217	\$ 36,479	\$ 40,415	214,574
Total All Other Governmental Funds	\$ 5,337,513	\$ 1,536,456	\$ 801,076	\$ 753,025	\$ 233,985	\$ 444,054	\$ 43,581	\$ 36,479	\$ 40,415	\$ 8,819,663

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2011	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 100,163,698	\$ 107,329,105	\$ 112,484,535	115353639	\$ 120,749,292	\$ 119,826,183	\$ 123,932,005	\$ 125,860,403	\$ 130,137,941	\$ 131,410,895
Tuition Charges	125,765	167,371	132,478	333680	194,732	445,612	440,999	578,707	311,761	302,945
Miscellaneous	1,009,290	836,742	614,490	728966	593,460	608,908	762,784	919,499	313,392	635,219
State Sources	21,329,658	22,634,632	20,304,479	19265542	15,194,466	18,329,001	22,578,466	20,873,116	23,304,644	23,797,382
Federal Sources	2,253,658	2,402,336	2,893,175	4,733,442	4,505,406	3,765,169	3,639,492	3,021,392	3,617,131	3,042,881
Total Revenues	124,882,069	133,370,186	136,429,157	140,415,269	141,237,356	142,974,873	151,353,746	151,253,117	157,684,869	159,189,322
Expenditures										
Instruction										
Regular Instruction	36,997,307	38,500,275	39,655,392	40,940,145	42,147,377	41,803,213	43,619,297	48,532,741	45,078,017	62,006,225
Special Education Instruction	9,571,277	10,714,241	11,494,205	11,753,353	12,778,869	13,778,274	13,454,793	13,713,576	15,822,868	28,841,051
Vocational Instruction- Tuition										175,783
Other Special Instruction	2,027,170	2,081,762	2,614,997	2,719,469	2,696,569	2,744,983	3,090,471	2,991,100	3,331,767	4,395,365
Other Instruction	1,191,701	1,171,820	1,327,468	1,401,680	1,467,081	1,366,657	1,522,544	1,509,617	1,465,571	2,312,660
Support Services										
Tuition	5,403,180	6,177,732	6,823,201	7,727,502	6,723,081	7,653,063	8,120,169	8,966,563	7,361,760	
Student and Inst. Related Services	10,503,218	11,642,261	11,756,542	12,146,085	12,670,108	11,957,991	12,584,070	10,886,244	12,804,951	19,949,986
General Administration Services	1,368,280	1,209,042	1,101,202	1,111,438	1,391,407	1,415,161	1,450,618	1,417,716	1,884,726	2,153,246
School Administration Services	6,029,150	6,718,414	6,472,092	6,377,200	6,003,281	5,744,918	6,470,856	7,201,449	7,076,852	7,550,998
Central Services	730,986	808,376	889,697	813,468	1,060,212	917,106	891,714	934,706	1,542,368	4,128,993
Administrative Information Technology	58,982		53,861						357,243	
Plant Operations And Maintenance	7,259,551	8,862,663	9,263,785	9,305,398	9,946,807	9,142,144	9,604,090	9,440,998	11,753,134	13,433,838
Pupil Transportation	8,049,338	8,156,051	8,011,092	8,194,067	7,422,233	7,541,259	7,442,420	7,647,525	7,968,435	8,930,484
Unallocated Employee Benefits	26,561,418	26,499,471	25,121,638	28,368,669	28,271,199	29,259,331	32,981,309	29,595,409	33,019,505	
Transfer of Funds to Charter Schools									255,172	
Cost of Issuance										499,298
Capital Outlay	6,125,658	8,392,561	4,213,805	3,496,627	2,068,073	2,354,224	3,426,715	3,679,806	3,457,031	3,599,557
Debt Service										
Principal	1,804,030	2,059,590	2,140,150	2,213,140	3,270,000	3,140,000	3,270,000	3,410,000	3,170,000	4,112,973
Interest and Other Charges	4,151,668	4,505,226	4,355,484	4,292,121	3,445,690	2,934,640	3,011,932	2,876,807	2,742,653	2,429,191
Total Expenditures	127,832,914	137,499,485	135,294,611	140,860,362	141,361,987	141,752,964	150,940,998	152,804,257	159,092,053	164,519,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,950,845)	(4,129,299)	1,134,546	(445,093)	(124,631)	1,221,909	412,748	(1,551,140)	(1,407,184)	(5,330,326)
Other Financing Sources (Uses)										
Lease Purchase Agreements										12,820,535
School Bonds Issued	4,387,000					31,535,000				27,250,000
School Bonds Defeased						(31,409,000)				(28,199,370)
Bond Issuance Costs						(262,639)				
Bond Premiums						2,730,173				1,448,668
Deferred Interest on Refunding						(2,593,534)				
Refunding Certificates of Participation	5,610,000									
Payment to Escrow Agent	(5,610,000)									
Capital Leases (Non-Budgeted)	145,970		106,250	502,342					958,640	
Transfers In	371,520	162,984	23,472	8,223	6,525	502,892	2,591	35,273		
Transfers Out	(371,520)	(162,984)	(23,472)	(8,223)	(6,525)	(2,892)	(2,591)	(35,273)		
Total Other Financing Sources (Uses)	4,532,970	-	106,250	502,342	-	500,000	-	-	958,640	13,319,833
Net Change in Fund Balances	\$ 1,582,125	\$ (4,129,299)	\$ 1,240,796	\$ 57,249	\$ (124,631)	\$ 1,721,909	\$ 412,748	\$ (1,551,140)	\$ (448,544)	\$ 7,989,507
Debt Service as a Percentage of Noncapital Expenditures	4.89%	5.08%	4.96%	4.74%	4.82%	4.36%	4.26%	4.22%	3.80%	4.07%

* Noncapital expenditures are total expenditures less capital outlay.

Note - Prior to fiscal year ended June 30, 2016, the District did not allocate certain budgetary functions.

**WEST ORANGE BOARD OF EDUCATION
GOVERNMENTAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals - Use of Facilities</u>	<u>Athletic Fees</u>	<u>Prior Year Refunds/ Accounts Payable Void Checks</u>	<u>Sale of Capital Assets</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 493,170	\$ 125,765	\$ 34,851	\$ 6,957			\$ 38,238	\$ 698,981
2008	352,496	167,371	28,135	7,251			251,210	806,463
2009	228,616	132,478	38,352	6,075	\$ 143,334		165,006	713,861
2010	67,853	333,680	53,731	10,710	239,100	\$ 135,000	212,649	1,052,723
2011	43,795	194,732	75,405	12,700	84,825	6,078	309,270	726,805
2012	18,592	445,612	92,831	6,925	92,276	13,147	337,550	1,006,933
2013	8,777	440,999	124,996	8,960	193,530	3,985	410,474	1,191,721
2014	7,977	578,707	105,518		532,536		269,746	1,494,484
2015	5,139	311,761	161,646				95,313	573,859
2016	6,362	302,945	171,993		137,743		304,093	923,136

Source: School District's Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate *
2006	\$ 19,697,700	\$ 1,215,749,100	\$ 243,478,900	\$ 9,647,100	\$ 41,394,500	\$ 1,529,967,300	\$ 2,759,720	\$ 1,532,727,020	\$ 179,843,800	\$ 5,854,853,479	\$ 6.33
2007	24,025,500	1,217,999,700	245,536,500	9,457,200	41,488,800	1,538,507,700	2,546,866	1,541,054,566	180,446,600	6,551,845,860	6.73
2008	24,871,000	1,230,142,100	239,154,000	9,370,900	40,855,100	1,544,393,100	2,787,494	1,547,180,594	182,451,400	6,966,319,666	7.10
2009	19,897,900	1,236,319,100	237,670,000	10,341,500	40,060,100	1,544,288,600	2,967,605	1,547,256,205	182,680,400	7,105,797,328	7.36
2010	21,092,800	1,207,344,100	230,213,100	10,178,200	37,684,000	1,506,512,200	2,736,764	1,509,248,964	182,918,900	6,632,422,059	7.82
2011 *	112,768,400	4,450,975,000	948,378,803	45,003,200	157,243,000	5,714,368,403	13,076,396	5,727,444,799	574,844,780	6,398,985,817	2.10
2012	52,031,300	4,513,256,300	922,143,603	43,432,800	155,305,100	5,686,169,103	11,842,900	5,698,012,003	579,773,180	6,245,876,593	2.14
2013	49,426,500	4,500,872,300	897,291,003	41,999,700	145,776,100	5,635,365,603	11,110,972	5,646,476,575	582,552,380	5,935,653,162	2.14
2014	51,230,700	4,483,432,200	872,286,400	41,029,600	144,226,900	5,592,205,800	9,940,597	5,602,146,397	586,706,455	5,772,315,442	2.32
2015	38,823,200	4,507,877,700	859,291,600	40,699,000	143,752,800	5,590,444,300	9,244,225	5,599,688,525	589,344,255	5,981,356,520	2.37

* A revaluation of real property became effective in 2011.

a Tax rates are per \$100

Source: County Abstract of Ratables

WEST ORANGE BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Calendar Year	Overlapping Rates			Total Direct and Overlapping Tax Rate
	School	Municipality	County	
2006	\$ 6.33	\$ 2.60	\$ 1.67	\$ 10.60
2007	6.73	2.99	1.67	11.39
2008	7.10	3.26	1.76	12.12
2009	7.36	3.39	1.79	12.54
2010	7.82	3.39	1.76	12.97
2011	2.10 *	0.89 *	0.49 *	3.48
2012	2.14	0.90	0.51	3.55
2013	2.14	0.92	0.52	3.58
2014	2.32	0.89	0.53	3.74
2015	2.37	0.97	0.56	3.89

Source: County Abstract of Ratables

WEST ORANGE BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
RREEF America REIT III CORP JJ	\$ 75,357,104	1.35%		
Kessler Institute	50,139,500	0.90%		
West Orange Plaza	50,000,000	0.89%		
Essex Breen Shopping Plaza			\$ 21,173,300	1.38%
Bow & Arrow Manor, Inc.	47,347,800	0.85%	14,967,200	0.98%
Reckson Operating Partnership L.P.			13,648,700	0.89%
Blackburn Development Co. Inc.	43,000,000	0.77%	13,227,700	0.86%
Kessler Institute			13,195,200	0.86%
West Orange Plaza			10,747,600	0.70%
RA 100 Executive Dr, LLC	40,446,400	0.72%		
Prism Green Associates	30,339,000	0.54%		
Atkins & Kent Limited	29,828,600	0.53%		
Montclair Golf and Country Club	21,250,000	0.38%		
Crestmont Country Club	18,500,000	0.33%	8,961,500	0.58%
Prism Green Associates			7,787,300	0.51%
Atkins & Kent Limited			7,531,000	0.49%
Montclair Golf and Country Club			7,490,400	0.49%
	<u>\$ 406,208,404</u>	<u>6.92%</u>	<u>\$ 118,729,900</u>	<u>7.74%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 100,163,698	\$ 100,163,698	100.00%	N/A
2008	107,329,105	107,329,105	100.00%	N/A
2009	112,484,535	112,484,535	100.00%	N/A
2010	115,353,639	115,353,639	100.00%	N/A
2011	120,749,292	120,749,292	100.00%	N/A
2012	119,826,183	119,826,183	100.00%	N/A
2013	123,932,005	123,932,005	100.00%	N/A
2014	125,860,403	125,860,403	100.00%	N/A
2015	130,137,941	130,137,941	100.00%	N/A
2016	131,410,895	131,410,895	100.00%	N/A

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			<u>Total District</u>	<u>Population</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Capital Leases</u>			
2007	\$ 42,281,000	\$46,842,880	\$ 958,155	\$ 90,082,035	42,524	\$ 2,118
2008	41,811,000	45,253,290	728,717	87,793,007	42,415	2,070
2009	41,301,000	43,623,140	564,674	85,488,814	42,561	2,009
2010	40,766,000	41,945,000	707,821	83,418,821	46,288	1,802
2011	38,991,000	40,450,000	357,555	79,798,555	46,653	1,710
2012	37,557,000	38,870,000	208,626	76,635,626	46,726	1,640
2013	35,927,000	37,230,000	107,097	73,264,097	46,847	1,564
2014	34,232,000	35,515,000		69,747,000	46,995	1,484
2015	32,847,000	33,730,000	688,916	67,265,916	46,995	1,431
2016	31,225,000	31,185,000	12,856,478	75,266,478	47,390	1,588

Source: District records

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2007	\$ 42,281,000		\$ 42,281,000	2.76%	\$ 994
2008	41,811,000		41,811,000	2.71%	986
2009	41,301,000		41,301,000	2.67%	970
2010	40,766,000		40,766,000	2.63%	881
2011	38,991,000		38,991,000	2.58%	836
2012	37,557,000		37,557,000	0.66%	804
2013	35,927,000		35,927,000	0.63%	767
2014	34,232,000		34,232,000	0.61%	728
2015	32,847,000		32,847,000	0.59%	699
2016	31,225,000		31,225,000	0.56%	659

Source: District records

WEST ORANGE BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
(Unaudited)

Gross Debt

Municipal Debt: (1)	
West Orange Board of Education	\$ 34,232,000
Township of West Orange	<u>70,933,046</u>
	<u>105,165,046</u>
 Overlapping Debt Apportioned to the Municipality:	
Essex County	
County of Essex (A)	<u>32,789,384</u>
	<u>32,789,384</u>
 Total Direct and Overlapping Debt	 <u>\$ 137,954,430</u>

Source:
(1) Township of West Orange's 2015 Annual Debt Statement

(A) The debt for this entity was apportioned to West Orange by dividing the municipality's 2015 equalized value by the total 2015 equalized value for Essex County.

**WEST ORANGE BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 233,654,590	\$ 256,371,978	\$ 273,037,660	\$ 276,795,197	\$ 268,757,098	\$ 257,636,672	\$ 251,482,689	\$ 239,820,163	\$ 233,263,736	\$ 233,250,484
Total Net Debt Applicable to Limit	42,281,000	41,811,000	41,301,000	40,766,000	38,991,000	37,557,000	35,927,000	34,232,000	32,847,000	31,225,000
Legal Debt Margin	<u>\$ 191,373,590</u>	<u>\$ 214,560,978</u>	<u>\$ 231,736,660</u>	<u>\$ 236,029,197</u>	<u>\$ 229,766,098</u>	<u>\$ 220,079,672</u>	<u>\$ 215,555,689</u>	<u>\$ 205,588,163</u>	<u>\$ 200,416,736</u>	<u>\$ 202,025,484</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	18.10%	16.31%	15.13%	14.73%	14.51%	14.58%	14.29%	14.27%	14.08%	13.39%

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized Valuation Basis	
2015	\$ 5,954,687,114
2014	5,752,114,585
2013	<u>5,786,984,600</u>
	<u>\$17,493,786,299</u>
3 Year Average	<u>\$ 5,831,262,100</u>
4% of Avg. Equalized Valuation	\$ 233,250,484
Less Net Debt	<u>31,225,000</u>
Remaining Borrowing Power	<u>\$ 202,025,484</u>

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

**WEST ORANGE BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Income(2)</u>	<u>Population</u>
2007	3.50%	\$ 49,962	42,524
2008	4.70%	51,038	42,415
2009	7.90%	49,750	42,561
2010	8.20%	51,422	46,288
2011	7.70%	53,597	46,653
2012	8.00%	54,318	46,726
2013	6.90%	54,606	46,847
2014	6.00%	54,606	46,995
2015	5.10%	54,606	46,995
2016	N/A	58,319	47,390

Source: (1) NJ Department of Labor, Bureau of Labor Force Statistics
(2) County Per Capital Personal Income

N/A - Not Available

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

INFORMATION NOT AVAILABLE

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	682	657	646	632	605	603	622	492	497	508
Special Education	33	36	46	52	109	120	120	306	311	313
Support Services:										
Student & Instruction-Related Services	77	78	79	76	75	90	103	100	101	115
School Administration Services	50	51	53	50	50	55	48	75	68	76
General Administration Services	3	3	3	3	3	3	6	7	7	7
Plant Operations and Maintenance	75	73	75	72	71	75	72	140	141	144
Pupil Transportation	9	12	14	14	14	16	16	27	34	36
Central Services/Administrative Information Technology	12	12	12	13	13	14	15	15	31	35
Total	<u>941</u>	<u>922</u>	<u>928</u>	<u>912</u>	<u>940</u>	<u>976</u>	<u>1,002</u>	<u>1,162</u>	<u>1,190</u>	<u>1,234</u>

Source: District Personnel Records

WEST ORANGE BOARD OF EDUCATION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Elementary	Middle School	High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	6,430	\$ 115,753,565	\$ 18,002	7.02%	715	11.0	10.0	10.0	6,430	6,108	1.44%	94.99%
2008	6,415	122,544,116	19,103	6.11%	693	11.0	10.0	10.0	6,415	6,030	-0.23%	94.00%
2009	6,537	124,587,181	19,059	-0.23%	666	13.0	17.3	11.5	6,537	6,210	1.90%	95.00%
2010	6,630	130,858,474	19,737	3.56%	684	12.9	16.4	11.7	6,628	6,319	1.39%	95.34%
2011	6,717	132,578,224	19,738	0.00%	714	11.1	10.3	11.5	6,714	6,386	1.31%	95.11%
2012	6,801	133,324,100	19,604	-0.68%	723	10.8	9.6	10.7	6,797	6,494	1.23%	95.53%
2013	6,839	141,232,351	20,651	5.34%	742	11.1	9.8	10.9	6,832	6,500	0.51%	95.13%
2014	6,876	142,837,644	20,773	0.59%	622	11.2	11.3	11.1	6,846	6,561	0.21%	95.84%
2015	6,748	149,722,369	22,188	6.81%	617	11.4	9.7	11.3	6,725	6,414	-1.77%	95.39%
2016	6,697	153,878,629	22,977	11.26%	632	10.9	9.7	10.9	6,673	6,392	-0.77%	95.79%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

**WEST ORANGE BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District Building										
Elementary										
Gregory School										
Square Feet	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666
Capacity (students)	502	502	502	502	502	502	502	502	502	502
Enrollment	505	510	522	563	590	575	571	571	546	521
Hazel School										
Square Feet	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290
Capacity (students)	332	332	332	332	332	332	332	332	332	332
Enrollment	339	330	329	336	368	380	376	376	381	366
Mount Pleasant School										
Square Feet	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992
Capacity (students)	348	348	348	348	348	348	348	348	348	348
Enrollment	380	372	391	412	416	424	414	414	394	380
Kelly School										
Square Feet	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071
Capacity (students)	485	485	485	485	485	485	485	485	485	485
Enrollment	464	468	430	439	447	370	491	492	442	419
Redwood School										
Square Feet	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176
Capacity (students)	518	518	518	518	518	518	518	518	518	518
Enrollment	484	520	529	506	574	569	591	591	566	546
Saint Cloud School										
Square Feet	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186
Capacity (students)	362	362	362	362	362	362	362	362	362	362
Enrollment	356	348	358	367	386	377	394	394	401	388
Washington School										
Square Feet	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588
Capacity (students)	468	468	468	468	468	468	468	468	468	468
Enrollment	401	422	430	406	403	415	445	445	438	434

WEST ORANGE BOARD OF EDUCATION
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District Building										
<u>Middle School</u>										
Edison										
Square Feet	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510
Capacity (students)	558	558	558	558	558	558	558	558	558	558
Enrollment	503	490	458	503	475	493	449	466	545	517
Roosevelt										
Square Feet	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738
Capacity (students)	625	625	625	625	625	625	625	625	625	625
Enrollment	428	455	470	484	485	489	515	515	522	535
Liberty										
Square Feet	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741
Capacity (students)	535	535	535	535	535	535	535	535	535	535
Enrollment	528	517	543	546	551	421	503	501	449	497
<u>High School</u>										
West Orange										
Square Feet	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668
Capacity (students)	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728
Enrollment	1,969	1,983	2,077	2,040	2,175	2,190	2,117	2,111	2,048	2,085

Number of Schools at June 30, 2016

- Elementary = 7
- Middle School = 3
- Senior High School = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

**WEST ORANGE RIVER BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)**

	<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>
<u>School Facilities</u>										
Gregory	70,719	74,136	91,460	112,079	128,453	115,729	120,493	118,843	165,423	86,657
Hazel	51,514	54,004	49,554	60,726	69,598	62,704	65,285	79,026	101,587	56,720
Mount Pleasant	48,157	50,489	58,879	72,154	82,695	74,504	77,570	86,435	120,704	53,777
Kelly	87,238	91,459	100,892	123,638	141,701	127,665	132,919	150,015	206,831	97,421
Redwood	60,982	63,929	72,918	89,357	102,412	92,268	96,065	96,514	149,484	89,872
Saint Cloud	48,379	50,717	68,905	84,439	96,775	87,190	90,778	87,177	141,256	54,026
Washington	66,042	69,224	69,319	84,947	97,357	87,714	91,324	121,003	142,106	73,751
Edison Middle	94,623	99,196	127,855	156,679	179,569	161,783	168,441	157,164	262,105	105,667
Roosevelt Middle	128,141	134,334	120,860	148,107	169,745	152,931	159,226	200,531	247,765	143,098
Liberty Middle	132,732	139,147	170,966	209,509	240,117	216,334	216,333	263,779	372,553	148,225
West Orange High	<u>437,698</u>	<u>458,852</u>	<u>612,253</u>	<u>750,279</u>	<u>859,892</u>	<u>773,970</u>	<u>827,684</u>	<u>840,747</u>	<u>1,255,124</u>	<u>488,786</u>
Grand Total	<u>\$ 1,226,225</u>	<u>\$ 1,285,487</u>	<u>\$ 1,543,861</u>	<u>\$ 1,891,914</u>	<u>\$ 2,168,314</u>	<u>\$ 1,952,792</u>	<u>\$ 2,046,118</u>	<u>\$ 2,201,234</u>	<u>\$ 3,164,938</u>	<u>\$ 1,398,000</u>

WEST ORANGE BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - New Jersey Schools Insurance Group (NJSIG):		
Property - Blanket Real and Personal Property	\$ 220,748,101	\$ 5,000
Extra Expense	50,000,000	5,000
Valuable Papers and Records	10,000,000	5,000
Demolition and Increased Cost of Construction	10,000,000	
Flood Zones A & V	3,000,000	500,000
Flood Zone B	25,000,000	10,000
Earthquake	5,000,000	5,000
Boiler and Machinery	100,000,000	5,000
Crime		
Public Employee Dishonesty	100,000	1,000
Loss of Money and Securities	100,000	1,000
Money Orders and Counterfeit	10,000	500
Forgery or Alteration	25,000	500
Computer Fraud	50,000	500
General Liability		
Each Occurrence	16,000,000	
Products/Completed Operations	16,000,000	
Sexual Abuse	16,000,000	
Personal and Advertising Policy	16,000,000	
Employee Benefits	16,000,000	1,000
Medical Payments	10,000	100
Auto Liability		
Limit for Liability	16,000,000	1,000
Uninsured/Underinsured	1,000,000	
Personal Injury Protection	250,000	
Medical Payments	10,000	
Hired Car Physical Damage	75,000	
Hired Car & Non-owned Auto Liability	1,000,000	
Garagekeepers	(Included)	

**WEST ORANGE BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
(Unaudited)**

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Western World Ins. Co. School Board Legal Liability	\$ 5,000,000	25,000
Axis Insurance Company Student Accident	5,000,000	-0-
Excess Worker's Compensation - State National Ins. Co. - Part I (In excess of Self-Insured Retention of \$500,000) - Part II	Statutory 1,000,000	-0- -0-
Public Officials Bonds - Selective Insurance Company John Calavano, Business Administrator/Board Secretary Joseph Antonucci, Treasurer	525,000 525,000	-0- -0-
Excess Umbrella - NJ Unshared Excess Program (Markel/Torus)	29,000,000	-0-
Excess of Primary - NJSIG	16,000,000	-0-

Source: District Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Orange Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the West Orange Board of Education's basic financial statements and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

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

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

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

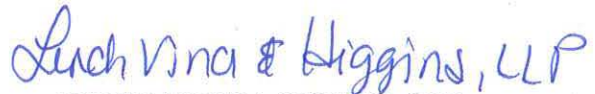
Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the West Orange Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 21, 2016.

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 West Orange Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the West Orange Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 21, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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JEFFREY C. BLISS, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the West Orange Board of Education’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the West Orange Board of Education’s major federal and state programs for the fiscal year ended June 30, 2016. The West Orange Board of Education’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the West Orange Board of Education’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the West Orange Board of Education’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the West Orange Board of Education's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the West Orange Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, 2016-003, and 2016-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The West Orange Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The West Orange Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the West Orange Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the West Orange Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the West Orange Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-004 that we consider to be a significant deficiencies.

The West Orange Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The West Orange Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Orange Board of Education, 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 21, 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 the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

LERCH, VINCI & HIGGINS, LLP

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

[Signature]

Donna L. Japhet
Public School Accountant
PSA Number CS02314

Fair Lawn, New Jersey
November 21, 2016

WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Adjust Receivables	Funds Released		Adjustment- Cancelled Encumbrances	Refund of Prior Years' Balances	June 30, 2016			Memo GAAP Receivable	
										Adjust Deferred Revenue	Adjust Receivables			Accounts Receivable	Unearned Revenue	Due to Grantor		
U.S. Department of Agriculture Passed-through State Dept. of Ed Enterprise Fund																		
Food Distribution Program	10.555	16161NJ304N1099	7/1/15-6/30/16	\$ 290,013			\$ 290,013	\$ 290,013										
Food Distribution Program	10.555		7/1/14-6/30/15	182,881	\$ 22,830			22,830										
School Breakfast Program	10.553	16161NJ304N1099	7/1/15-6/30/16	283,622			259,869	283,622							\$ (23,753)		\$ (23,753)	
School Breakfast Program	10.553		7/1/14-6/30/15	284,881	(57,897)		57,897											
National School Lunch Program	10.555	16161NJ304N1099	7/1/15-6/30/16	1,412,559			1,311,226	1,412,559							(101,333)		(101,533)	
National School Lunch Program	10.555		7/1/14-6/30/15	1,380,627	(255,053)		255,053											
Total Child Nutrition Cluster					(290,120)		2,174,058	2,009,024							(125,086)		(125,086)	
Fresh Fruit and Vegetable Program	10.582	16161NJS04L1603	7/1/15-6/30/16	24,197			18,086	24,197							(6,111)		(6,111)	
Fresh Fruit and Vegetable Program	10.582		7/1/14-6/30/15	16,043	(5,598)		5,598											
					(5,598)		23,684	24,197							(6,111)		(6,111)	
Total Enterprise Fund					(295,718)		2,197,742	2,033,221							(131,197)		(131,197)	
U.S. Department of Health and Human Services Passed-through State Dept. of Ed General Fund																		
Medical Assistance Program	93.778	1605NJSMAP	7/1/15-6/30/16	226,081			107,840	226,081							(118,241)		(118,241)	
Medical Assistance Program	93.778		7/1/14-6/30/15	166,846	(65,232)		65,232											
Total U.S. Department of Health and Human Services					(65,232)		173,072	226,081							(118,241)		(118,241)	
U.S. Department of Homeland Security Passed-through State Dept. of Ed																		
FEMA	97.036		7/1/15-6/30/16	42,170				42,170							(42,170)		(42,170)	
Total U.S. Department of Homeland Security								42,170							(42,170)		(42,170)	
Total General Fund					(65,232)		173,072	268,251							(160,411)		(160,411)	
Special Revenue Fund U.S. Department of Education - Passed through State Department of Education																		
No Child Left Behind																		
Title I - Part A	84.010	S010A150030	7/1/15-6/30/16	859,420			429,731	813,931							(429,689)	45,489	(378,585)	
Title I - Part A	84.010		7/1/14-6/30/15	878,118	(104,061)		104,061											
Title II - Part A	84.367A	S367A150029	7/1/15-6/30/16	127,001		557	67,797	124,767	\$ (557)	\$ (557)	\$ 557				(59,204)	2,234	(56,970)	
Title II - Part A	84.367A		7/1/14-6/30/15	131,814	(6,095)	(557)	6,095											
Title III	84.365A	S365A150030	7/1/15-6/30/16	67,106		6,842	41,264	53,247	(6,842)			\$ 966			(32,684)	20,701	\$ 966	
Title III	84.365A		7/1/14-6/30/15	76,608	(8,360)	(6,842)	10,790		6,842								2,430	
Title III- Immigrant		S365A150030	7/1/15-6/30/16	38,634			29,574	29,574							(9,060)	9,060	-	
Carl D. Perkins Secondary Education	84.048A	V048A140030	7/1/15-6/30/16	42,904			33,743	42,616							(8,873)		(8,873)	
Carl D. Perkins Secondary Education	84.048A		7/1/14-6/30/15	56,210	(1,000)		2,423										1,423	
I.D.E.A. - Part B, Basic Regular	84.027	H027A150100	7/1/15-6/30/16	1,753,452		188,279	1,549,915	1,685,448	(188,279)						(391,816)	256,283	(133,363)	
I.D.E.A. - Part B, Basic Regular	84.027		7/1/14-6/30/15	1,773,766	(79,252)	(188,279)	79,252		188,279									
I.D.E.A. - Part B, Basic Regular	84.027		9/1/11-8/31/12	1,718,279	3,984								\$ 3,984					
I.D.E.A. - Part B, Preschool	84.173	H173A150114	7/1/15-6/30/16	65,678		591	53,278	65,678	(591)						(12,991)	591	(12,400)	
I.D.E.A. - Part B, Preschool	84.173		7/1/14-6/30/15	63,263		(591)			591									
Total Special Education Cluster IDEA					(75,268)		1,682,445	1,751,126						3,984	(404,807)	256,874	(145,763)	
Total U.S. Department of Education					(75,268)		1,682,445	1,751,126						3,984	(404,807)	256,874	(145,763)	
Total Special Revenue Fund					(194,784)		2,407,923	2,815,261		(557)	557	966	3,984	(944,317)	334,358	4,819	(602,174)	
Total Federal Financial Awards					\$ (555,734)	\$ -	\$ 4,778,737	\$ 5,116,733	\$ -	\$ (557)	\$ 557	\$ 966	\$ 3,984	\$ (1,235,925)	\$ 334,358	\$ 4,819	\$ (893,782)	

Note: FAIN Numbers are only applicable for current year grant awards

WEST ORANGE BOARD OF EDUCATION
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXHIBIT K-4

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2015		Cash Received	Budgetary Expenditures	Refund of Prior Year's Balances		Balance, June 30, 2016		Memos
				(Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	
State Department of Education												
<i>General Fund</i>												
Transportation Aid	16-095-034-5120-014	7/1/15-6/30/16	438,150	-	-	394,435	438,150	-	-	-	-	438,150
Transportation Aid	15-495-034-5120-014	7/1/15-6/30/16	438,150	(41,824)	41,824	-	110,042	-	-	-	-	110,042
Nonmobile Transportation Costs	16-095-034-5120-014	7/1/15-6/30/16	110,042	-	-	103,930	110,042	-	-	-	-	110,042
Nonmobile Transportation Costs	15-495-034-5120-014	7/1/15-6/30/16	103,930	(103,930)	-	-	-	-	-	-	-	-
Total Transportation Aid Cluster			1,089,272	(145,724)	41,824	540,192	548,192	(153,857)	-	(110,042)	-	548,192
Equalization Aid	16-095-034-5120-078	7/1/15-6/30/16	1,793,898	-	-	1,614,508	1,793,898	-	-	-	-	1,793,898
Equalization Aid	15-495-034-5120-078	7/1/15-6/30/16	1,793,898	(171,239)	171,239	1,712,659	1,793,898	-	-	-	-	1,793,898
Special Education Aid	16-095-034-5120-089	7/1/15-6/30/16	4,191,194	-	-	3,808,727	4,191,194	-	-	-	-	4,191,194
Special Education Aid	15-495-034-5120-089	7/1/15-6/30/16	4,191,194	(400,077)	400,077	4,000,777	4,191,194	-	-	-	-	4,191,194
Security Aid	16-095-034-5120-084	7/1/15-6/30/16	386,465	-	-	347,819	386,465	-	-	-	-	386,465
Security Aid	15-495-034-5120-084	7/1/15-6/30/16	386,465	(36,891)	36,891	36,891	386,465	-	-	-	-	386,465
Per Pupil Growth Aid	16-095-034-5120-097	7/1/15-6/30/16	70,410	-	-	63,469	70,410	-	-	-	-	70,410
Per Pupil Growth Aid	15-495-034-5120-097	7/1/15-6/30/16	70,410	(6,721)	6,721	63,469	70,410	-	-	-	-	70,410
PARCC Readiness Aid	16-095-034-5120-098	7/1/15-6/30/16	70,410	-	-	63,369	70,410	-	-	-	-	70,410
PARCC Readiness Aid	15-495-034-5120-098	7/1/15-6/30/16	70,410	(6,721)	6,721	63,369	70,410	-	-	-	-	70,410
Total State Aid Public Cluster			6,512,377	(621,689)	651,941	6,512,377	6,512,377	(614,583)	-	(614,583)	-	6,512,377
Extraordinary Special Education Costs	16-100-034-5120-473	7/1/15-6/30/16	1,418,793	-	-	1,418,793	1,418,793	-	-	-	-	1,418,793
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/15-6/30/16	1,611,894	(611,894)	1,611,894	-	-	-	-	-	-	1,611,894
Total Extraordinary Special Education Costs			3,030,687	(611,894)	3,030,687	3,030,687	3,030,687	(611,894)	-	(611,894)	-	3,030,687
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	4,557,046	-	-	4,327,445	4,557,046	-	-	-	-	4,557,046
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	7/1/14-6/30/15	4,845,638	(232,095)	232,095	-	-	-	-	-	-	4,845,638
Total Reimbursed TPAF Social Security Contributions			9,402,684	(232,095)	232,095	4,327,445	4,557,046	-	-	(232,095)	-	4,327,445
TPAF In-Benefit Contributions	16-495-034-5094-002	7/1/15-6/30/16	4,667,518	-	-	4,667,518	4,667,518	-	-	-	-	4,667,518
TPAF Pension Contribution-Normal Costs	16-495-034-5094-004	7/1/15-6/30/16	232,506	-	-	232,506	232,506	-	-	-	-	232,506
TPAF Pension Contribution-NCOI	16-495-034-5094-001	7/1/15-6/30/16	5,834,575	-	-	5,834,575	5,834,575	-	-	-	-	5,834,575
TPAF Pension Contribution - Post Retirement Cost	16-495-034-5094-001	7/1/15-6/30/16	5,834,575	-	-	5,834,575	5,834,575	-	-	-	-	5,834,575
Total On-Behalf TPAF Contribution Cluster			16,970,399	(843,789)	843,789	16,970,399	16,970,399	(843,789)	-	(843,789)	-	16,970,399
Total General Fund			23,771,007	(2,416,850)	23,771,007	23,771,007	23,771,007	(2,416,850)	-	(2,416,850)	-	23,771,007
Special Revenue Fund												
<i>Non-Mobile Transportation Aid</i>												
Handicapped Services (Chap. 192)	16-100-034-5120-067	7/1/15-6/30/16	14,382	-	-	14,382	11,083	-	-	-	-	11,083
Handicapped Services (Chap. 192)	15-100-034-5120-067	7/1/15-6/30/16	12,989	-	-	-	6,093	-	-	-	-	6,093
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	6,093	-	-	-	-	-	-	-	-	6,093
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	11,035	(11,035)	-	-	-	-	-	-	-	-
Home Instruction	16-100-034-5120-067	7/1/15-6/30/16	11,035	-	-	11,035	-	-	-	-	-	11,035
Home Instruction	15-100-034-5120-067	7/1/14-6/30/15	11,035	(11,035)	-	-	-	-	-	-	-	-
Total Nonmobile Auxiliary Services Aid (Chap 192) Cluster			58,569	(11,035)	11,035	58,569	58,569	(11,035)	-	(11,035)	-	58,569
Handicapped Services (Chap. 193)												
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	37,871	-	-	37,871	27,695	-	-	-	-	27,695
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	28,209	-	-	-	127,477	-	-	-	-	127,477
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	135,308	-	-	135,308	127,477	-	-	-	-	127,477
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	146,592	-	-	-	12,038	-	-	-	-	12,038
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	18,393	-	-	18,393	12,038	-	-	-	-	12,038
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	19,457	-	-	-	2,385	-	-	-	-	2,385
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	19,457	-	-	19,457	168,130	-	-	-	-	168,130
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	19,457	-	-	-	27,345	-	-	-	-	27,345
Total Nonmobile Handicapped Services Aid (Chap 193) Cluster			585,822	(27,345)	27,345	585,822	585,822	(27,345)	-	(27,345)	-	585,822
Transportation Aid												
Transportation Aid	16-100-034-5120-064	7/1/15-6/30/16	86,279	-	-	86,279	80,186	-	-	-	-	80,186
Transportation Aid	15-100-034-5120-064	7/1/14-6/30/15	90,881	-	-	-	5,913	-	-	-	-	5,913
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	136,350	-	-	136,350	136,350	-	-	-	-	136,350
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	37,875	-	-	37,875	35,485	-	-	-	-	35,485
Technology Initiative	16-100-034-5120-373	7/1/15-6/30/16	39,286	-	-	39,286	37,932	-	-	-	-	37,932
Technology Initiative	15-100-034-5120-373	7/1/14-6/30/15	48,704	-	-	-	2,654	-	-	-	-	2,654
Total Transportation Aid Cluster			488,882	(2,654)	2,654	488,882	488,882	(2,654)	-	(2,654)	-	488,882
Total Special Revenue Fund			23,771,007	(2,416,850)	2,416,850	23,771,007	23,771,007	(2,416,850)	-	(2,416,850)	-	23,771,007

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of the Statement

WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2015		Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2016		Memo	
				(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Unearned Revenue	GAAP Receivable	Cumulative Total Expenditures
Debt Service Fund												
Debt Service Aid - State Support	16-495-034-5120-075	7/1/15-6/30/16	\$ 964,836	-	-	\$ 964,836	\$ 964,836	-	-	-	\$ 964,836	-
Enterprise Fund												
State School Lunch Program	16-100-010-3390-023	7/1/15-6/30/16	38,244	(7,628)	-	32,256	37,345	-	(5,109)	\$ (5,109)	37,345	-
State School Lunch Program	15-100-010-3390-023	7/1/14-6/30/15	-	(7,628)	-	7,628	-	-	-	-	-	-
Total Department of Agriculture/Enterprise Fund				(7,628)	-	39,884	37,345	-	(5,109)	(5,109)	37,345	-
Total State Financial Assistance Subject to Single Audit Determination			\$ 48,882	(2,630,053)	\$ 48,882	\$ 25,487,642	\$ 25,248,447	\$ 48,882	(2,428,038)	\$ (390,842)	\$ 25,248,447	-
State Financial Assistance Not Subject to Single Audit Major Program Determination												
General Fund												
TPAF Pension Contribution-Normal Costs	16-495-034-5094-002	7/1/15-6/30/16	4,667,518	-	-	(4,667,518)	(4,667,518)	-	-	-	(4,667,518)	-
TPAF Pension Contribution-NCGI	16-495-034-5094-004	7/1/15-6/30/16	232,506	-	-	(232,506)	(232,506)	-	-	-	(232,506)	-
TPAF Pension Contribution - Post Retirement Cost	16-495-034-5094-001	7/1/15-6/30/16	5,834,575	-	-	(5,834,575)	(5,834,575)	-	-	-	(5,834,575)	-
Total State Financial Assistance Subject to Single Audit Major Programs Determination			\$ 48,882	(2,630,053)	\$ 48,882	\$ 14,752,443	\$ 14,513,848	\$ 48,882	(2,428,038)	\$ (390,842)	\$ 14,513,848	-

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$1,413,720 for the general fund and an increase of \$2,564 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 226,081	\$ 22,357,287	\$ 22,583,368
Special Revenue Fund	2,816,800	475,259	3,292,059
Debt Service Fund		964,836	964,836
Food Service Fund	<u>2,043,449</u>	<u>37,345</u>	<u>2,080,794</u>
Total Awards and Financial Assistance	<u>\$ 5,086,330</u>	<u>\$ 23,834,727</u>	<u>\$ 28,921,057</u>

**WEST ORANGE BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$4,557,046 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$4,900,024 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$5,834,575 represents the amount paid by the State on behalf of the District for the fiscal 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 are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance section .510(a)? X yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN #</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A150100</u>	<u>IDEA, Part B Basic</u>
<u>84.173</u>	<u>H173A150114</u>	<u>IDEA Preschool</u>
<u>84.010A</u>	<u>S010A150030</u>	<u>Title I</u>
<u>10.555</u>	<u>16161NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>16161NJ304N1099</u>	<u>School Breakfast Program</u>

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

Auditee qualified as low-risk auditee? _____ yes X no

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2016-001

With respect to our audit of IDEA programs, the invoices submitted by a certain occupational therapy provider were not detailed as to the date services were provided. In addition, billings were not done in a timely manner. Also the vendor was paid in excess of the not to exceed amount approved by the Board.

Federal program information

IDEA Basic	84,027
IDEA Preschool	84,173

Criteria or specific requirement

Federal Grant Compliance Supplement

Condition

Invoices submitted for services included hourly rates and services billed by student, however, no supporting documentation was provided to verify dates of service. In addition, billings from the service provider for the period September 2015-December 2015 was billed in January 2016. Billings for January 2016-March 2016 were not billed until April 2016.

Questioned Costs

Unknown

Context

Payments made to a certain vendor for IDEA services could not be verified as proper charges.

Cause

Unknown.

Effect

Charges for services could not be verified.

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2016-001 (Continued)

Recommendation

With respect to IDEA programs, all invoices submitted by service providers be detailed and properly supported as to the dates services were provided. In addition, District should require billings be made from provider in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

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

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2016-002

Review of the Time and Effort Certifications found that the reports are being signed by both the employee and supervisor prior to the certification period being attested to has ended.

Federal Program Information

Title I 84.010A

Criteria or Specific Requirement

Federal Grant Compliance Supplement

Condition

Time and Effort Certificates are being signed before certification period ends.

Questioned Costs

None.

Context

See finding condition and questioned costs.

Effect

Certifications of Time and Effort are being prepared and signed prior to the end of the service period. The actual time served may be more or less than amount documented prior to service period.

Cause

Unknown.

Recommendation

Time and Effort Certifications be signed only after certification period ends.

View of Responsible Officials and Planned Corrective Action

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

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2016-003

Our audit of the District's Extraordinary Aid Application noted that detailed workpapers to support each student's costs reported on the application are not being maintained. Also, OT/PT services were allocated based on 2009 rates, not current rates. In addition, one instance noted where an intensive service was claimed on the application but was not required by the student's Individualized Education Plan (IEP).

State Program Information

Extraordinary Aid

Criteria or Specific Requirement

NJ Department of Education – Grant Compliance Supplement

Condition

Services and costs reported on the District's Extraordinary Aid Applications were not supported by detailed workpapers and incorrect rates are being used when calculating costs claimed.

Questioned Costs

Unknown.

Context

See condition.

Effect

Certain information reported on the Extraordinary Aid Application could not be verified to detailed supporting schedules.

Recommendation

The District maintain detailed workpapers to support each student's costs reported and greater care be exercised over the preparation of the Extraordinary Aid Application to ensure proper costs and services are reported.

Views of Responsible Officials and Planned Corrective Actions

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

**WEST ORANGE BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2016-004

The District erroneously reported four (4) SDA funded projects as eligible for Debt Service Aid in the Debt Service Data Collection.

State Program Information

Debt Service Aid

Criteria or Specific Requirement

NJ Department of Education – Grant Compliance Supplement

Condition

Four (4) SDA funded projects were reported as eligible for Debt Service Aid in the Debt Service Data Collection.

Questioned Costs

\$1,264,697 (for all fiscal years 2008-2017)

Context

See condition.

Effect

District overclaimed a total of \$1,264,697 from fiscal year 2008 through fiscal year 2017.

Recommendation

Greater care be exercised when completing the Debt Service Data Collection.

Views of Responsible Officials and Planned Corrective Actions

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

**WEST ORANGE BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL 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*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.