

**SCHOOL DISTRICT OF THE  
BOROUGH OF DUNELLEN  
COUNTY OF MIDDLESEX, NEW JERSEY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
STATE OF NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**PREPARED BY  
DUNELLEN BOARD OF EDUCATION  
FINANCE OFFICE**

**BOROUGH OF DUNELLEN  
BOARD OF EDUCATION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b><u>Page</u></b>
Letter of Transmittal .....	1 - 5
Organizational Chart.....	6
Roster of Officials.....	7
Consultants and Advisors .....	8
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	9 - 12
 <b>Required Supplementary Information - Part I</b>	
Management's Discussion and Analysis .....	13 - 25
 <b>Basic Financial Statements</b>	
A. District-wide Financial Statements:	
A-1 Statement of Net Position .....	26
A-2 Statement of Activities.....	27
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet.....	28
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	29
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
Proprietary Funds:	
B-4 Statement of Net Position .....	31
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position .....	32
B-6 Statement of Cash Flows.....	33
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position .....	34
B-8 Statement of Changes in Fiduciary Net Position .....	35
<b>Notes to the Basic Financial Statements</b> .....	<b>36 - 74</b>
 <b>Required Supplementary Information - Part II</b>	
C. Budgetary Comparison Schedule	
C-1 Budgetary Comparison Schedule - General Fund.....	75- 79
C-2 Budgetary Comparison Schedule - Special Revenue Fund.....	80

**TABLE OF CONTENTS (Continued)**

<b>FINANCIAL SECTION (Continued)</b>	<b><u>Page</u></b>
<b>Notes to the Required Supplementary Information - Part II</b>	
C-3 Budgetary Comparison Schedule .....	81
<b>Required Supplementary Information - Part III</b>	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of District's Proportionate Share of Net Pension Liability - PERS .....	82
L-2 Schedule of District Contributions - PERS .....	83
L-3 Schedule of the District's Proportionate Share of Net Pension Liability - TPAF .....	84
<b>Notes to the Required Supplementary Information - Part III</b>	
L-4 Note to the Required Schedules of Supplementary Information.....	85
<b>Other Supplementary Information</b>	
D. School Based Budget Schedules (if applicable):	
D-1 Combining Balance Sheet .....	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual.....	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual.....	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures - Budgetary Basis .....	86
E-1b Combining Schedule of Revenues and Expenditures - Budgetary Basis .....	87
E-1c Combining Schedule of Revenues and Expenditures - Budgetary Basis .....	88
E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-3 Preschool Education Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis.....	N/A
E-5 Instructional Supplemental Aid Schedule of Expenditures - Budgetary Basis .....	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures .....	89
F-1a Schedule of Project Revenues, Expenditures, Project Balance, and Project Status Budgetary Basis – Dunellen High School Improvements.....	90
F-1b Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis – Lincoln Middle School Improvements .....	91
F-1c Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis – John P. Faber Elementary School Improvements .....	92
F-2 Summary Schedule of Project Expenditures.....	93

**TABLE OF CONTENTS (Continued)**

<b>FINANCIAL SECTION (Continued)</b>	<b><u>Page</u></b>
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Position - Food Services.....	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Food Services.....	N/A
G-3 Combining Statement of Cash Flows - Food Services.....	N/A
Internal Service Fund:	
G-4 Combining Statement of Net Position.....	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	N/A
G-6 Combining Statement of Cash Flows.....	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position .....	N/A
H-2 Combining Statement of Changes in Fiduciary Net Position .....	N/A
H-3 Schedule of Receipts and Disbursements - Student Activity Agency Fund .....	94
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund .....	95
I. Long-Term Debt:	
I-1 Statement of Bonds Payable .....	96
I-2 Statement of Obligations under Capital Leases.....	N/A
I-3 Budgetary Comparison Schedule - Debt Service Fund .....	97

**STATISTICAL SECTION (Unaudited)**

**Introduction to the Statistical Section**

**Financial Trends**

Introduction to the Statistical Section .....	98
J-1 Net Position by Component.....	99
J-2 Changes in Net Position.....	100 - 101
J-3 Fund Balances - Governmental Funds .....	102
J-4 Changes in Fund Balances - Governmental Funds .....	103 - 104
J-5 General Fund - Other Local Revenue by Source .....	105

**Revenue Capacity**

J-6 Assessed Value and Actual Value of Taxable Property.....	106
J-7 Direct and Overlapping Property Tax Rates .....	107
J-8 Principal Property Taxpayers.....	108
J-9 Property Tax Levies and Collections .....	109

**Debt Capacity**

J-10 Ratios of Outstanding Debt by Type.....	110
J-11 Ratios of Net General Bonded Debt Outstanding .....	111
J-12 Direct and Overlapping Governmental Activities Debt.....	112
J-13 Legal Debt Margin Information .....	113

**TABLE OF CONTENTS (Continued)**

**FINANCIAL SECTION (Continued)**

**Page**

**Demographic and Economic Information**

J-14	Demographic and Economic Statistics.....	114
J-15	Principal Employers.....	115

**Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program.....	116
J-17	Operating Statistics .....	117
J-18	School Building Information.....	118
J-19	Schedule of Required Maintenance Expenditures by School Facility .....	119
J-20	Insurance Schedule.....	120

**SINGLE AUDIT SECTION**

K-1	Independent Auditor's 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 .....	121 - 122
K-2	Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey's OMB Circular 15-08 .....	123 - 125
K-3	Schedule of Expenditures of Federal Awards, Schedule A.....	126
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B .....	127
K-5	Notes to Schedules of Awards and Financial Assistance .....	128 - 130
K-6	Schedule of Findings and Questioned Costs .....	131 - 132
K-7	Schedule of Financial Federal and State Findings .....	133
K-8	Summary Schedule of Prior Year Audit Findings.....	134

## **INTRODUCTORY SECTION**

# DUNELLEN PUBLIC SCHOOLS

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

Mr. Eugene Mosley  
*Superintendent of Schools*

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

---

December 5, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Dunellen School District (District) for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial positions and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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



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

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and special education for handicapped youngsters. The District's enrollment as of October 15, 2017 was 1,187 students. The following details the changes in student enrollment of the District over the last ten years:

<u>Student Enrollment</u>	
October 15, 2017	1,187
October 15, 2016	1,127
October 15, 2015	1,155
October 15, 2014	1,168
October 15, 2013	1,179
October 15, 2012	1,176
October 15, 2011	1,131
October 15, 2010	1,152
October 15, 2009	1,101
October 15, 2008	1,090

2. ECONOMIC CONDITION AND OUTLOOK: Although Dunellen was relatively stable for a number of years, the recession of 2008 continues to impact employment as it has the state and country. The Borough's unemployment rate for 2016 was 4.3%.

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

3. MAJOR INITIATIVES:

Student achievement on standardized tests continued to be a district focus for the 2016-2017 school year. The following educational program strategies were implemented:

***Next Generation Science Standards Implementation***

Crosscutting concepts help students explore connections across the four domains of science, including, Physical Science, Life Science and Space Science, and Engineering Design. When these concepts, "cause and effect", are made explicit for students, they can help students develop a coherent and scientifically-based view of the world around them.

The new standards present a vision of science and engineering learning designed to bring these subjects alive for all students, emphasizing the satisfaction of pursuing compelling questions and the joy of discovery and invention. Achieving this vision, science will be enhanced with the four domains:

- Faber Elementary School
  - Multiple Modalities with Practices and Investigations for each grade level
  - Experimental materials and supplies
  - On Line Resources
  - Continued Integration of Technology to support and enhance the learning environment
  - Professional Development

Students will engage in science and engineering practices to develop and use disciplinary core ideas and crosscutting concepts to explain phenomena and solve problems.

- Lincoln Middle School
  - Multiple Modalities of the four domains to practice and experiment with models and materials.
  - Literacy Focus: reading, writing, talking, investigating, and data collection.
  - On line resources
  - Lab materials and books
  - Professional Development

Students will continue with ongoing opportunities to use data drawn from or to interact directly with the natural and designed/engineered world using tools, data collection techniques, models and scientific concepts and principles.

- Dunellen High School
  - Textbooks and online teacher and student resources for Chemistry and Biology
  - Experimental and lab supplies
  - Professional Development
  - Continued use of technology to support and enhance the learning environment

### ***Facilities***

1. Replace hallway lockers at at Dunellen High School
2. Completion of 5th grade wing
  - a. All 5th grade classrooms
  - b. One 4th grade classroom
  - c. Two aftercare rooms
  - d. Art, vocal and Instrumental Music rooms
  - e. Corridor from fine arts corner to the addition (towards the library)
3. LED light bulb conversion at Faber Elementary
4. Domestic hot water heater that serves Faber gym and classrooms

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal and State financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

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

7. DEBT ADMINISTRATION: As of June 30, 2017, there was district debt in the amount of \$7,490,000 due to the sale of bonds.

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

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

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

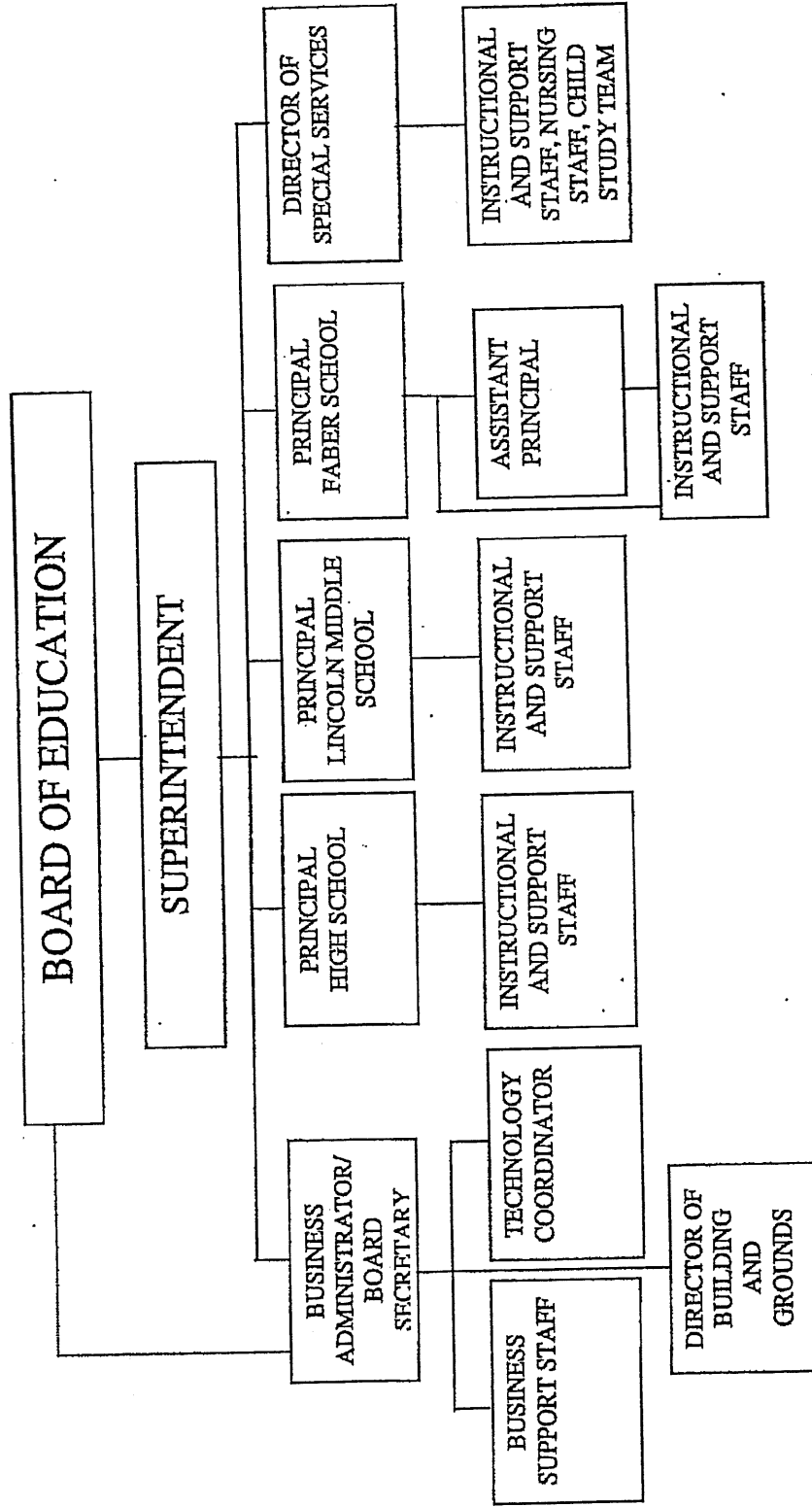
11. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Dunellen Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of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

Respectfully submitted,

Mr. Eugene Mosley  
Superintendent of Schools

Brian P. De Lucia  
Business Administrator/  
Board Secretary

DUNELLEN BOARD OF EDUCATION TABLE OF ORGANIZATION



**BOROUGH OF DUNELLEN BOARD OF EDUCATION  
DUNELLEN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2017**

<b><u>Members of the Board of Education</u></b>		<b><u>Term Expires</u></b>
Jeffrey Portik	President	2018
George Johnson Jr.	Vice-President	2017
Barbara McGuane	Member	2019
Jason Anderson	Member	2017
John Paul Osborn	Member	2019
Faith Thompson	Member	2018
Kenneth Sanders	Member	2018
Gerard Trotta	Member	2017
Lisa Howard	Member	2019

**Other Officials**

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

**TOWN OF DUNELLEN BOARD OF EDUCATION  
DUNELLEN, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

**Audit Firm**

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.  
100B Main Street  
Newton, New Jersey 07860

**Board Attorney**

Schenck, Price, Smith & King, LLP  
220 Park Avenue  
P.O. Box 991  
Florham Park, New Jersey 07932

**Bond Counsel**

Wilentz, Goldman & Spitzer, P.A.  
90 Woodbridge Center Drive  
Woodbridge, New Jersey 07303

**Official Depository**

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

## **FINANCIAL SECTION**



# Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkocz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, N.J. 07442  
973 835-7900  
Fax 973 835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973 579-3212  
Fax 973 579-7128

---

Vincent M. Montanino, RMA, PSA

## INDEPENDENT AUDITOR'S REPORT

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

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 Board of Education of the Borough of Dunellen School District, in the County of Middlesex, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



Honorable President and  
Members of the Board of Education  
Page 2.

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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Dunellen Board of Education, in the County of Middlesex, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedules related to Accounting and Reporting for Pensions identified in the table of contents, 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 the 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.

Honorable President and  
Members of the Board of Education  
Page 3.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Dunellen Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the Borough of Dunellen 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

Honorable President and  
Members of the Board of Education  
Page 4.

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 Borough of Dunellen Board of Education's internal control over financial reporting and compliance.



Vincent M. Montanino  
Licensed Public School Accountant  
No. 20CS000495

*Ferraioli, Wielkutz, Cerullo & Cuva, PA*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

December 5, 2017



**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**DUNELLEN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(UNAUDITED)**

The discussion and analysis of the Dunellen School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

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

**Financial Highlights**

- The assets of the Dunellen School District exceeded its liabilities at the close of the most recent fiscal year by \$7,117,106.05 (net position).
- The District's total net position increased \$26,863.30. Net Position of our business-type activities increased \$148,639.17 with the addition of a preschool and after care programs, and Net Position of our governmental activities decreased \$121,775.87.
- Governmental Activities general revenues accounted for \$15,197,769.64 in revenue or 65.41 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$8,036,635.01 or 34.59 percent of total revenues of \$23,234,404.65.
- The district had \$23,356,180.52 in expenses related to governmental activities; only \$8,036,635.01 were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$15,197,769.64 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$17,865,584.30 in revenues and \$17,683,542.11 in expenditures. The General Fund's fund balance increased \$182,042.19 from the June 30, 2016 fund balance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

#### The Statement of Net Position and the Statement of Activities

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

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

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

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

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

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

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

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

### **The District as Trustee**

#### **Reporting the District's Fiduciary Responsibilities**

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

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

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



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

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

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

## Financial Analysis of the District as a Whole

The District's *combined* net position changed from a year ago, *increasing* from \$7.09 million to \$7.12 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities as of June 30.

**Table 1**

### Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 783,645.06	\$ 598,311.21	\$ 202,471.40	\$ (8,465.13)	\$ 986,116.46	\$ 589,846.08
Capital Assets	17,813,917.88	18,068,102.25	63,189.70	93,101.66	17,877,107.58	18,161,203.91
Total Assets	18,597,562.94	18,666,413.46	265,661.10	84,636.53	18,863,224.04	18,751,049.99
Deferred Charge on Refunding of Debt and Issuance Costs and Pension Outflows	2,428,798.05	1,319,354.33	-	-	2,428,798.05	1,319,354.33
Total Deferred Outflows of Resources	2,428,798.05	1,319,354.33	-	-	2,428,798.05	1,319,354.33
Long-term Debt Outstanding	13,602,081.32	12,550,537.91			13,602,081.32	12,550,537.91
Other Liabilities	523,939.32	352,375.66	38,845.40	6,460.00	562,784.72	358,835.66
Total Liabilities	14,126,020.64	12,902,913.57	38,845.40	6,460.00	14,164,866.04	12,909,373.57
Deferred Pension Inflows	10,050.00	70,788.00				
Net Position:						
Net Investment in Capital Assets	10,344,542.88	10,160,602.25	63,189.70	93,101.66	10,407,732.58	10,253,703.91
Restricted	813,504.74	554,621.75			813,504.74	554,621.75
Unrestricted (deficit)	(4,267,757.27)	(3,703,157.78)	163,626.00	(14,925.13)	(4,104,131.27)	(3,718,082.91)
Total Net Position	\$ 6,890,290.35	\$ 7,012,066.22	\$ 226,815.70	\$ 78,176.53	\$ 7,117,106.05	\$ 7,090,242.75

- Net position of the District's governmental activities decreased by .02 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operation without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$564,599.49.
- Restricted net position, those restricted mainly for capital projects increased by \$258,882.99.
- The investment in capital assets, net of debt category increased by \$183,940.63.

**Table 2**

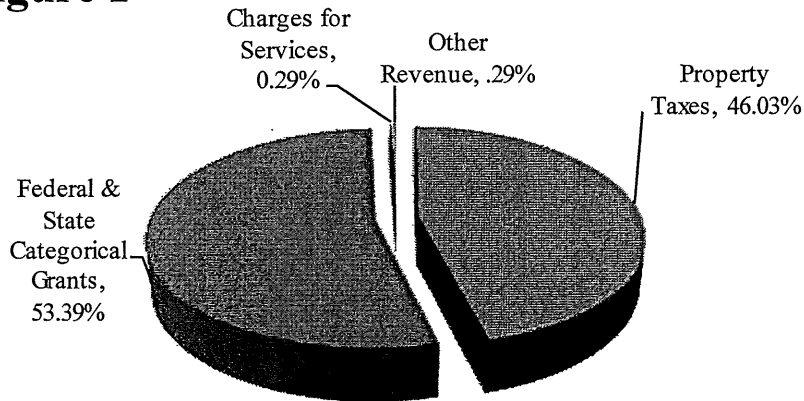
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 66,787.50	\$ 69,268.20	\$ 931,281.67	\$ 243,965.37	\$ 998,069.17	\$ 313,233.57
Operating Grants and Contributions	7,969,847.51	6,264,370.54	349,203.78	320,814.71	8,319,051.29	6,585,185.25
General Revenues:						
Property Taxes	10,695,374.00	10,359,133.42			10,695,374.00	10,359,133.42
Federal and State Aid	4,434,086.99	4,560,085.06			4,434,086.99	4,560,085.06
Other General Revenues	68,308.65	100,114.31			68,308.65	100,114.31
Transfers In	-	-	-	-	-	-
Total Revenues:	<u>23,234,404.65</u>	<u>21,352,971.53</u>	<u>1,280,485.45</u>	<u>564,780.08</u>	<u>24,514,890.10</u>	<u>21,917,751.61</u>
<u>Program Expenses Including Indirect Expenses</u>						
Instruction:						
Regular	9,991,926.84	9,257,507.08			9,991,926.84	9,257,507.08
Special	2,586,299.94	2,273,919.83			2,586,299.94	2,273,919.83
Other Instruction	1,117,500.81	897,046.87			1,117,500.81	897,046.87
Support Services:						
Tuition	884,397.80	1,047,738.06			884,397.80	1,047,738.06
Student and Instruction Related Services	3,127,310.39	3,027,680.69			3,127,310.39	3,027,680.69
School Administrative Services	1,410,452.59	1,170,751.91			1,410,452.59	1,170,751.91
General and Business Administrative Services	1,578,689.58	1,377,897.67			1,578,689.58	1,377,897.67
Plant Operations and Maintenance	1,739,077.69	1,399,567.46			1,739,077.69	1,399,567.46
Pupil Transportation	534,131.88	538,841.75			534,131.88	538,841.75
Debt Service Assessment	61,602.00	61,602.00			61,602.00	61,602.00
Charter Schools	51,716.00	32,564.00			51,716.00	32,564.00
Interest on Long-Term Debt	273,075.00	286,414.58			273,075.00	286,414.58
Business-Type Activities:						
Food Services			608,479.60	581,154.99	608,479.60	581,154.99
Preschool Program			337,306.87		337,306.87	-
After Care Program			186,059.81	-	186,059.81	-
Total Expenses	<u>23,356,180.52</u>	<u>21,371,531.90</u>	<u>1,131,846.28</u>	<u>581,154.99</u>	<u>24,488,026.80</u>	<u>21,952,686.89</u>
Increase in Net Position	<u>(121,775.87)</u>	<u>(18,560.37)</u>	<u>148,639.17</u>	<u>(16,374.91)</u>	<u>26,863.30</u>	<u>(34,935.28)</u>
Net Position-Beginning 7/1	7,012,066.22	7,030,626.59	78,176.53	94,551.44	7,090,242.75	7,125,178.03
Net Position-Ending 6/30	<u>\$ 6,890,290.35</u>	<u>\$ 7,012,066.22</u>	<u>\$ 226,815.70</u>	<u>\$ 78,176.53</u>	<u>\$ 7,117,106.05</u>	<u>\$ 7,090,242.75</u>

## Governmental Activities

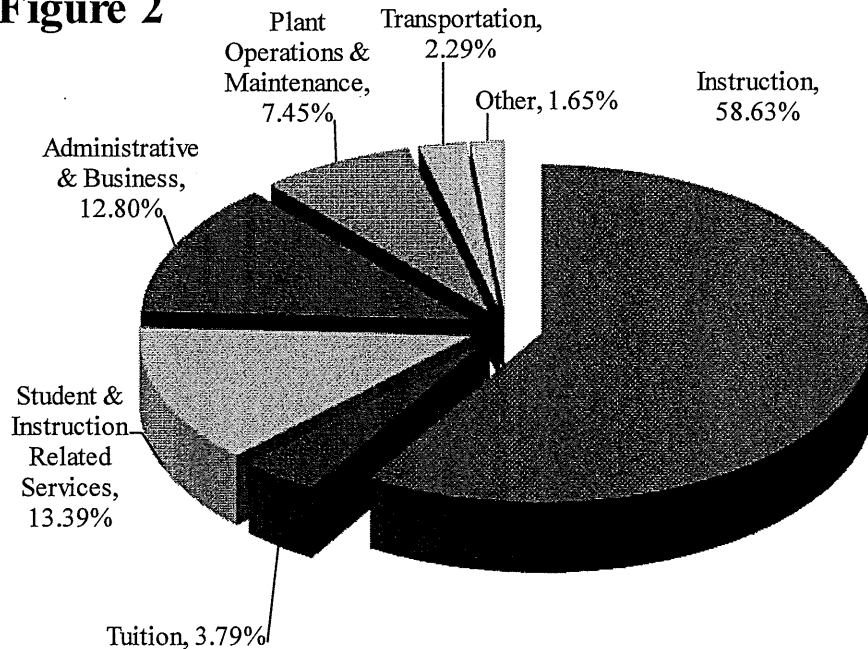
*Revenue Sources.* The District's total revenue for the 2016/2017 school year was \$23,234,404.65 (See Table 2). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$10,695,374.00 of the total, or 46.03 percent (See Figure 1). State formula aid and categorical grants accounted for 53.39 percent and the remainder was from tuition and other miscellaneous sources. The Dunellen School District primarily conducts its operations from the revenue it receives from the State and its local taxpayers.

**Figure 1**



The total cost of all programs and services was \$23,356,180.52. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (74.31 percent) (See Figure 2). The District's administrative and maintenance activities accounted for 20.25 percent of total costs. It is important to note that depreciation of \$509,079.34 is included in expenses for the year.

**Figure 2**



## Governmental Activities (Continued)

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

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

**Table 3**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 13,695,727.59	\$ 12,428,473.78	\$ 8,492,006.74	\$ 8,238,964.38
Tuition	884,397.80	1,047,738.06	610,066.34	714,437.10
Student and Instruction Services	3,127,310.39	3,027,680.69	2,135,282.27	2,227,824.89
Administrative and Business	2,989,142.17	2,548,649.58	2,080,501.47	1,916,291.88
Maintenance and Operations	1,739,077.69	1,399,567.46	1,373,583.81	1,324,320.16
Transportation	534,131.88	538,841.75	512,911.88	520,013.75
Other	386,393.00	380,580.58	115,193.00	96,041.00
	<u>\$ 23,356,180.52</u>	<u>\$ 21,371,531.90</u>	<u>\$ 15,319,545.51</u>	<u>\$ 15,037,893.16</u>

- The cost of all governmental activities this year was \$23.36 million.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the District's costs, however, were financed by District taxpayers (\$10.7 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula.
- The remainder of governmental activities funding came from charges for services, local grants, investment earnings and miscellaneous revenue.

**THE DISTRICT'S FUNDS**

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

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

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

*General Fund:* The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was -\$250,215.09 due to the delayed state aid payments, while total fund balance was \$554,811.85.

As demonstrated by the various statements, the District maintains a sound financial position. The information below compares revenues for 2016-2017 and 2015-2016.

**Table 4**

<u>Revenues by Source:</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>% Change</u>
Local Tax Levy	\$ 10,966,574.00	\$ 10,643,673.00	3.03%
Tuition Charges	66,787.50	69,268.20	-3.58%
Miscellaneous	<u>68,308.65</u>	<u>100,114.31</u>	-31.77%
Total - Local Sources	11,101,670.15	10,813,055.51	2.67%
State Sources	7,467,746.16	7,268,684.96	2.74%
Federal Sources	<u>563,108.34</u>	<u>599,276.06</u>	-6.04%
Total Revenues	<u>\$ 19,132,524.65</u>	<u>\$ 18,681,016.53</u>	2.42%

The increase in local sources is mainly attributable to the overall tax levy increasing. The increase of State Sources is a result of the District receiving additional overall state assistance. The decrease in Federal sources in 2016-2017 is primarily due to a reduction in entitlements.

**THE DISTRICT'S FUNDS (Continued)**

**Governmental Activities (Continued)**

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

**Table 5**

<u>Expenditures by Function:</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>% Change</u>
Current:			
Regular Instruction	\$ 5,027,476.79	\$ 5,042,670.15	-0.30%
Special Education	1,605,807.29	1,337,392.38	20.07%
Other Instruction	605,155.06	526,119.03	15.02%
Support Services and Undistributed Costs:			
Tuition	884,397.80	1,047,738.06	-15.59%
Student and Instruction Related Services	1,770,676.59	1,815,612.30	-2.47%
School Administrative Services	714,013.50	629,052.80	13.51%
General and Business Administrative Services	979,750.19	893,097.17	9.70%
Plant Operations and Maintenance	1,220,879.85	1,281,952.66	-4.76%
Pupil Transportation	534,131.88	538,841.75	-0.87%
Employee Benefits	4,517,525.54	4,321,119.71	4.55%
Capital Outlay	254,894.97	1,010,273.51	-74.77%
Capital Outlay-Debt Service Assessment	61,602.00	61,602.00	0.00%
Charter Schools	51,716.00	32,564.00	58.81%
Debt Service:			
Principal	440,000.00	420,000.00	4.76%
Interest on Long-Term Debt	277,250.00	292,125.00	-5.09%
Total Expenditures	<u>\$ 18,945,277.46</u>	<u>\$ 19,250,160.52</u>	-1.58%

Special and Other Instruction expenditures increased as a result of the District reducing the use of hourly out-sourced professional services and replacing them with a more cost-efficient FTE coupled with enrollment changes.

School Administrative Services increased as a result of hiring a full time Superintendent.

Charter School expenditures increased as a result of increased charter school enrollment.

Capital Outlay expenditures decreased as a result of less improvements completed in 2016-2017 as opposed to the previous school year.

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

**THE DISTRICT'S FUNDS (Continued)**

**Business-type Activities**

The District's major Enterprise Fund consists of the Food Service Fund. Revenues for the Food Service Program were comprised of charges for services and federal and state reimbursements. Food Service revenues exceeded expenses by \$22,089.50. Charges for food service represent \$284,599.16 of revenue, this is the amount paid by patrons for daily food service and special functions. Federal and State reimbursements for meals, including payments for free and reduced lunches, and donated commodities was \$345,969.94.

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

**Table 6**

	<u>Food Service</u>	<u>Preschool Program</u>	<u>After Care</u>
Total Assets	\$ 133,511.43	\$ 122,088.13	\$ 10,061.54
Net Position	100,266.03	116,488.13	10,061.54
Change in Net Position	22,089.50	116,488.13	10,061.54
Return on Ending Total Assets	16.55%	95.41%	100.00%
Return on Ending Net Position	22.03%	100.00%	100.00%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

**Table 7**

**Net Investment in Capital Assets at Year-End**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 53,064.00	\$ 53,064.00	\$ -	\$ -	\$ 53,064.00	\$ 53,064.00
Land Improvements	591,750.00	591,750.00			591,750.00	591,750.00
Buildings	24,995,687.00	24,794,593.03			24,995,687.00	24,794,593.03
Machinery and Equipment	495,693.36	441,892.36	134,083.28	134,083.28	629,776.64	575,975.64
Construction-in-Progress	-	-	-	-	-	-
Subtotal	26,136,194.36	25,881,299.39	134,083.28	134,083.28	26,270,277.64	26,015,382.67
Accumulated Depreciation	(8,322,276.48)	(7,813,197.14)	(70,893.58)	(40,981.62)	(8,393,170.06)	(7,854,178.76)
Totals	<u>\$ 17,813,917.88</u>	<u>\$ 18,068,102.25</u>	<u>\$ 63,189.70</u>	<u>\$ 93,101.66</u>	<u>\$ 17,877,107.58</u>	<u>\$ 18,161,203.91</u>



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

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

**DEBT**

At year-end the District had total debt of \$13.6 million outstanding versus \$12.55 last year – an increase of 8.4 percent – as shown in Table 8.

**Outstanding Debt, at Year-End**

**Table 8**

	<u>Governmental</u> <u>Activities</u>	
	<u>2017</u>	<u>2016</u>
Serial Bonds	\$ 7,490,000.00	\$ 7,930,000.00
Unamortized Premium	605,091.05	660,099.33
Net Pension Liability	5,057,997.00	3,609,693.00
Compensated Absences	448,993.27	350,745.58
	<u>\$ 13,602,081.32</u>	<u>\$ 12,550,537.91</u>

The District continued to pay down its debt as scheduled, retiring \$440,000 of its outstanding serial bonds. The District's accrued Compensated Absences increased by \$98,247.69 from 2016 primarily due to more employees being eligible to accrue sick and vacation time along with an increase in the daily rate of payment for accumulated days.

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

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Brian P. De Lucia, Dunellen School District, Dunellen, New Jersey 08812.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Net Position  
June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 365,210.05	\$ 14,799.86	\$ 380,009.91
Receivables, Net	159,958.04	182,543.26	342,501.30
Inventory		5,128.28	5,128.28
Restricted Assets:			
Capital Reserve Account - Cash	400,000.00		400,000.00
Capital Projects - Cash	8,476.97		8,476.97
Capital Assets, Net			
Land Not Depreciated	53,064.00		53,064.00
Other Assets Being Depreciated	<u>17,760,853.88</u>	<u>63,189.70</u>	<u>17,824,043.58</u>
Total Assets	<u>18,597,562.94</u>	<u>265,661.10</u>	<u>18,863,224.04</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	1,803,082.00		1,803,082.00
Deferred Charge on Refunding of Debt and Issuance Costs	<u>625,716.05</u>	<u>-</u>	<u>625,716.05</u>
Total Deferred Outflows of Resources	<u>2,428,798.05</u>	<u>-</u>	<u>2,428,798.05</u>
<b>LIABILITIES</b>			
Accounts Payable	391,559.54	30,994.96	422,554.50
Bond Interest Payable	124,047.91	7,850.44	131,898.35
Unearned Revenue	8,331.87		8,331.87
Noncurrent Liabilities :			
Due Within One Year	510,008.28		510,008.28
Due Beyond One Year	<u>13,092,073.04</u>	<u>-</u>	<u>13,092,073.04</u>
Total Liabilities	<u>14,126,020.64</u>	<u>38,845.40</u>	<u>14,164,866.04</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	<u>10,050.00</u>		<u>10,050.00</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,344,542.88	63,189.70	10,407,732.58
Restricted For:			
Debt Service	0.83		0.83
Capital Projects	8,476.97		8,476.97
Other Purposes	400,000.00		400,000.00
Assigned To:			
Year End Encumbrances	80,026.94		80,026.94
Capital Reserve - Designated	-		-
Other Purposes	325,000.00		325,000.00
Unrestricted	<u>(4,267,757.27)</u>	<u>163,626.00</u>	<u>(4,104,131.27)</u>
Total Net Position	<u>\$ 6,890,290.35</u>	<u>\$226,815.70</u>	<u>\$ 7,117,106.05</u>

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Activities  
For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 9,991,926.84	\$ 66,787.50	\$ 3,329,412.70	\$ -	\$ (6,595,726.64)	\$ -	\$ (6,595,726.64)
Special Education	2,586,299.94		1,445,847.26		(1,140,452.68)		(1,140,452.68)
Other	1,117,500.81		361,673.39		(755,827.42)		(755,827.42)
Support Services:							
Tuition	884,397.80		274,331.46		(610,066.34)		(610,066.34)
Student and Instruction Related Services	3,127,310.39		992,028.12		(2,135,282.27)		(2,135,282.27)
School Administrative Services	1,410,452.59		485,839.42		(924,613.17)		(924,613.17)
General and Business Administrative Services	1,578,689.58		422,801.28		(1,155,888.30)		(1,155,888.30)
Plant Operations and Maintenance	1,739,077.69		365,493.88		(1,373,583.81)		(1,373,583.81)
Pupil Transportation	534,131.88		21,220.00		(512,911.88)		(512,911.88)
Charter Schools	51,716.00				(51,716.00)		(51,716.00)
Interest on Long-Term Debt	273,075.00		271,200.00		(1,875.00)		(1,875.00)
Debt Service Assessment	61,602.00				(61,602.00)		(61,602.00)
Total Governmental Activities	<u>23,356,180.52</u>	<u>66,787.50</u>	<u>7,969,847.51</u>	<u>-</u>	<u>(15,319,545.51)</u>	<u>-</u>	<u>(15,319,545.51)</u>
Business-Type Activities:							
Food Service	608,479.60	284,599.16	345,969.94		22,089.50		22,089.50
Preschool Program	337,306.87	453,795.00			116,488.13		116,488.13
After Care Program	186,059.81	192,887.51	3,233.84		10,061.54		10,061.54
Total Business-Type Activities	<u>1,131,846.28</u>	<u>931,281.67</u>	<u>349,203.78</u>	<u>-</u>	<u>148,639.17</u>	<u>-</u>	<u>148,639.17</u>
Total Primary Government	<u>\$ 24,488,026.80</u>	<u>\$ 998,069.17</u>	<u>\$ 8,319,051.29</u>	<u>\$ -</u>	<u>\$ (15,319,545.51)</u>	<u>\$ 148,639.17</u>	<u>\$ (15,170,906.34)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 10,249,324.00	\$ -	\$ 10,249,324.00
Property Taxes, Levied for Debt Service Principal					446,050.00		446,050.00
Federal and State Aid Not Restricted					4,434,086.99		4,434,086.99
Miscellaneous Income					68,308.65		68,308.65
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>15,197,769.64</u>	<u>-</u>	<u>15,197,769.64</u>
Change in Net Position					(121,775.87)	148,639.17	26,863.30
Net Position—Beginning					7,012,066.22	78,176.53	7,090,242.75
Net Position—Ending					<u>\$ 6,890,290.35</u>	<u>\$ 226,815.70</u>	<u>\$ 7,117,106.05</u>

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

**FUND FINANCIAL STATEMENTS**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 202,135.92	\$13,073.30	\$ -	\$ 0.83	\$ 215,210.05
Receivables From Other Governments	140,039.54	-	-		140,039.54
Tuition Receivable	12,886.00				12,886.00
Other	7,032.50	-			7,032.50
Restricted Cash and Cash Equivalents	400,000.00	-	8,476.97	-	408,476.97
<b>Total Assets</b>	<u>\$ 762,093.96</u>	<u>\$13,073.30</u>	<u>\$ 8,476.97</u>	<u>\$ 0.83</u>	<u>\$ 783,645.06</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 207,282.11	\$ 4,741.43	\$ -		\$ 212,023.54
Unearned Revenue - Federal	-	1,290.60	-		1,290.60
Unearned Revenue - Local	-	7,041.27	-		7,041.27
<b>Total Liabilities</b>	<u>207,282.11</u>	<u>13,073.30</u>	<u>-</u>		<u>220,355.41</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	400,000.00				400,000.00
Debt Service Fund				0.83	0.83
Capital Projects Fund			8,476.97		8,476.97
Assigned to:					
Year End Encumbrances	80,026.94				80,026.94
Designated for Subsequent Year's Expenditures	325,000.00				325,000.00
Unassigned:					
General Fund	(250,215.09)	-	-	-	(250,215.09)
<b>Total Fund Balances</b>	<u>554,811.85</u>	<u>-</u>	<u>8,476.97</u>	<u>0.83</u>	<u>563,289.65</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 762,093.96</u>	<u>\$13,073.30</u>	<u>\$ 8,476.97</u>	<u>\$ 0.83</u>	

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

The District has financed capital assets through the issuance of serial bonds. The adjustment to net position for the accrual of interest expense is. (124,047.91)

Accounts payable for subsequent pension payment is not a payable in the funds (179,536.00)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,136,194.36 and the accumulated depreciation is \$8,322,276.48. 17,813,917.88

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt. The unamortized portion of the Deferred Charges on Refunding is \$556,388 and unamortized portion of the Bond Issuance Costs is \$69,328.05. 625,716.05

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. 1,803,082.00

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (10,050.00)

Long-term liabilities, including bonds and net pension payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (13,602,081.32)

Net Position of Governmental Activities \$ 6,890,290.35

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



**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
Statement of Revenues, Expenditures, And Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 10,249,324.00	\$ -	\$ -	\$ 717,250.00	\$ 10,966,574.00
Tuition Charges - Individuals	45,387.50				45,387.50
Tuition Charges - Other LEA's	21,400.00				21,400.00
Miscellaneous	60,335.70	2,767.95	5,205.00	-	68,308.65
Total - Local Sources	10,376,447.20	2,767.95	5,205.00	717,250.00	11,101,670.15
State Sources	7,467,746.16	-	-	-	7,467,746.16
Federal Sources	21,390.94	541,717.40	-	-	563,108.34
Total Revenues	17,865,584.30	544,485.35	5,205.00	717,250.00	19,132,524.65
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	4,779,928.84	247,547.95			5,027,476.79
Special Education Instruction	1,395,829.64	209,977.65			1,605,807.29
Other Instruction	605,155.06	-			605,155.06
Support Services and Undistributed Costs:					
Tuition	884,397.80				884,397.80
Student and Instruction Related Services	1,736,318.84	34,357.75			1,770,676.59
School Administrative Services	714,013.50				714,013.50
General and Business Administrative Services	979,750.19				979,750.19
Plant Operations and Maintenance	1,220,879.85				1,220,879.85
Pupil Transportation	534,131.88				534,131.88
Unallocated Benefits	4,464,923.54	52,602.00			4,517,525.54
Transfer to Charter School	51,716.00				51,716.00
Capital Outlay	254,894.97		-		254,894.97
Capital Outlay-Debt Service Assessment	61,602.00				61,602.00
Debt Service:					
Principal				440,000.00	440,000.00
Interest	-	-	-	277,250.00	277,250.00
Total Expenditures	17,683,542.11	544,485.35	-	717,250.00	18,945,277.46
Excess (Deficiency) of Revenues					
Over Expenditures	182,042.19	-	5,205.00	-	187,247.19
Net Change in Fund Balances					
Net Change in Fund Balances	182,042.19	-	5,205.00	-	187,247.19
Fund Balance—July 1	372,769.66	-	3,271.97	0.83	376,042.46
Fund Balance—June 30	\$ 554,811.85	\$ -	\$ 8,476.97	\$ 0.83	\$ 563,289.65

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2017**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** **\$ 187,247.19**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Depreciation Expense	\$ (509,079.34)	
	Capital Outlays	<u>254,894.97</u>	
			(254,184.37)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

440,000.00

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

	Amortization of Deferred Charge on Refunding	\$ (50,580.73)	
	Amortization of Bond Issuance Costs	(6,302.55)	
	Amortization of Bond Premium	<u>55,008.28</u>	
			(1,875.00)

Pension contributions are reported in governmental funds as expenditures when made. However, per GASB No. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

	District Pension Contributions	151,718.00	
	Less: Pension Expense	<u>(552,484.00)</u>	
	(Increase) in Pension Expense		(400,766.00)

Per GASB No. 68 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements.

	Increase in On-behalf State Aid TPAF Pension	3,373,087.00	
	Increase in On-behalf TPAF Pension Expense	<u>(3,373,087.00)</u>	

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)

	Interest paid	\$ 277,250.00	
	Interest accrued	<u>(271,200.00)</u>	
			6,050.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).

(98,247.69)

**Change in Net Position of Governmental Activities**

**\$ (121,775.87)**

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Net Position  
Proprietary Funds  
June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b><u>Food Service</u></b>	<b><u>Preschool Program</u></b>	<b><u>After Care</u></b>	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,899.80	\$ 8,608.13	\$ 1,291.93	\$ 14,799.86
Accounts Receivable - Individuals		5,480.00	6,620.00	12,100.00
Accounts Receivable - LEA's	-	108,000.00		108,000.00
Other Receivables	60,293.65		2,149.61	62,443.26
Inventories	5,128.28	-	-	5,128.28
Total Current Assets	<u>70,321.73</u>	<u>122,088.13</u>	<u>10,061.54</u>	<u>202,471.40</u>
Noncurrent Assets:				
Furniture, Machinery and Equipment	134,083.28			134,083.28
Less Accumulated Depreciation	<u>(70,893.58)</u>	-	-	<u>(70,893.58)</u>
Total Noncurrent Assets	<u>63,189.70</u>	-	-	<u>63,189.70</u>
Total Assets	<u>133,511.43</u>	<u>122,088.13</u>	<u>10,061.54</u>	<u>265,661.10</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	30,994.96			30,994.96
Prepaid Fees	<u>2,250.44</u>	<u>5,600.00</u>		<u>7,850.44</u>
Total Current Liabilities	<u>33,245.40</u>	<u>5,600.00</u>	-	<u>38,845.40</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	63,189.70			63,189.70
Unrestricted	<u>37,076.33</u>	<u>116,488.13</u>	<u>10,061.54</u>	<u>163,626.00</u>
Total Net Position	<u>\$ 100,266.03</u>	<u>\$ 116,488.13</u>	<u>\$ 10,061.54</u>	<u>\$ 226,815.70</u>

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			<u>Totals</u>
	<u>Food Service</u>	<u>Preschool Program</u>	<u>After Care</u>	
<b>Operating Revenues:</b>				
Charges for Services:				
Daily Sales - Reimbursable Programs	\$ 186,452.24	\$ -	\$ -	\$ 186,452.24
Daily Sales - Non-Reimbursable Programs	98,146.92			98,146.92
Program Fees		453,795.00	192,887.51	646,682.51
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>284,599.16</u>	<u>453,795.00</u>	<u>192,887.51</u>	<u>931,281.67</u>
<b>Operating Expenses:</b>				
Cost of Sales - Reimbursable	249,078.66			249,078.66
Cost of Sales - Non-Reimbursable	70,394.98			70,394.98
Salaries	171,959.85	205,832.61	128,640.50	506,432.96
Employee Benefits	23,175.76	125,504.10	9,856.77	158,536.63
Purchased Property Service	11,201.00			11,201.00
Other Purchased Services	18,583.53			18,583.53
Miscellaneous	12,117.18		968.60	13,085.78
General Supplies	22,056.68	5,970.16	46,593.94	74,620.78
Depreciation	29,911.96	-	-	29,911.96
Total Operating Expenses	<u>608,479.60</u>	<u>337,306.87</u>	<u>186,059.81</u>	<u>1,131,846.28</u>
Operating Income/(Loss)	<u>(323,880.44)</u>	<u>116,488.13</u>	<u>6,827.70</u>	<u>(200,564.61)</u>
<b>Nonoperating Revenues :</b>				
State Sources:				
State School Lunch Program	6,035.96			6,035.96
Federal Sources:				
National School Lunch Program	245,338.78			245,338.78
School Breakfast Program	53,329.08			53,329.08
After School Snack Program			3,233.84	3,233.84
Food Distribution Program	41,266.12		-	41,266.12
Total Nonoperating Revenues	<u>345,969.94</u>	<u>-</u>	<u>3,233.84</u>	<u>349,203.78</u>
Change in Net Position	22,089.50	116,488.13	10,061.54	148,639.17
Total Net Position—Beginning	78,176.53	-	-	78,176.53
Total Net Position—Ending	<u>\$ 100,266.03</u>	<u>\$ 116,488.13</u>	<u>\$ 10,061.54</u>	<u>\$ 226,815.70</u>

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Food Service</b>	<b>Preschool Program</b>	<b>After Care</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 286,849.60	\$ 339,455.00	\$ 186,267.51	\$ 812,572.11
Payments to Employees	(171,959.85)	(205,832.61)	(128,640.50)	(506,432.96)
Payments for Employee Benefits	(23,175.76)	(125,504.10)	(9,856.77)	(158,536.63)
Payments to Suppliers	(351,405.81)	(5,970.16)	(47,562.54)	(404,938.51)
Net Cash Provided By/(Used For) Operating Activities	<u>(259,691.82)</u>	<u>2,148.13</u>	<u>207.70</u>	<u>(257,335.99)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources	5,189.07			5,189.07
Federal Sources	<u>296,179.00</u>		<u>1,084.23</u>	<u>297,263.23</u>
Net Cash Provided By Non-Capital Financing Activities	<u>301,368.07</u>	-	<u>1,084.23</u>	<u>302,452.30</u>
Net Increase in Cash and Cash Equivalents	41,676.25	2,148.13	1,291.93	45,116.31
Balances—Beginning of Year	<u>(36,776.45)</u>	<u>6,460.00</u>	<u>-</u>	<u>(30,316.45)</u>
Balances—End of Year	<u>\$ 4,899.80</u>	<u>\$ 8,608.13</u>	<u>\$ 1,291.93</u>	<u>\$ 14,799.86</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities:</b>				
Operating Income/(Loss)	\$ (323,880.44)	\$ 116,488.13	\$ 6,827.70	\$ (200,564.61)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:				
Depreciation	29,911.96			29,911.96
(Increase) in Accounts Receivable		(113,480.00)	(6,620.00)	(120,100.00)
Decrease in Inventories	1,031.26			1,031.26
Increase in Accounts Payable	30,994.96			30,994.96
Increase/(Decrease) in Prepaid Fees	<u>2,250.44</u>	<u>(860.00)</u>	<u>-</u>	<u>1,390.44</u>
Total Adjustments	<u>64,188.62</u>	<u>(114,340.00)</u>	<u>(6,620.00)</u>	<u>(56,771.38)</u>
Net Cash Provided By/(Used For) Operating Activities	<u>\$ (259,691.82)</u>	<u>\$ 2,148.13</u>	<u>\$ 207.70</u>	<u>\$ (257,335.99)</u>

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Fiduciary Net Positions  
Fiduciary Funds  
June 30, 2017**

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Private Purpose Scholarship <u>Fund</u></b>	<b>Agency <u>Fund</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 32,902.12	\$ 358.81	\$ 214,091.20
Total Assets	<u>\$ 32,902.12</u>	<u>\$ 358.81</u>	<u>\$ 214,091.20</u>
<b>LIABILITIES</b>			
Payable to Student Groups			\$ 130,794.43
Payroll Deductions and Withholdings	-	-	<u>83,296.77</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 214,091.20</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 32,902.12</u>		
Reserved for Scholarships		<u>\$ 358.81</u>	

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2017**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 17,096.16	\$ -
Other	<u>25,000.00</u>	<u>\$ 3,000.00</u>
Total Contributions	<u>42,096.16</u>	<u>3,000.00</u>
Total Additions	<u>42,096.16</u>	<u>3,000.00</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	161,295.83	
Scholarships Awarded	<u>-</u>	<u>3,000.00</u>
Total Deductions	<u>161,295.83</u>	<u>3,000.00</u>
Change in Net Position	(119,199.67)	-
Net Position—Beginning	<u>152,101.79</u>	<u>358.81</u>
Net Position—Ending	<u>\$ 32,902.12</u>	<u>\$ 358.81</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**



**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Board of Education (“Board”) of the Borough of Dunellen School District (“District”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Borough of Dunellen School District is a Type II district located in the County of Middlesex, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of ten members elected to three-year terms. The purpose of the district is to educate students in grades K-12. 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.

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

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education of the Borough of Dunellen School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the board’s accounting policies are described below.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis of Presentation**

The Board's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**District-wide Financial Statements**

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental, proprietary and fiduciary.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

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

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

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

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.

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

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**PROPRIETARY FUNDS**

The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal service; the Board has no internal service funds. The following is a description of the Proprietary Funds of the Board:

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

The Board's Enterprise Fund is comprised of the Preschool Program, After Care Program and the Food Service Fund operations.

**Fiduciary Fund** - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Student Activities Funds and Payroll Agency Fund.

**B. Measurement Focus**

**District-wide Financial Statements**

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net position, except for fiduciary funds.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Fund Financial Statements** (continued)

governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Revenues - Exchange and Non-exchange Transactions** (continued)

requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: ad valorem property taxes, tuition, unrestricted grants and interest.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**D. Budgets/Budgetary Control**

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendent's office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year.

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

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

**E. Encumbrances**

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

Open encumbrances in the special revenue fund, for which the Board has received advances, are reflected in the balance sheet as unearned revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**F. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Cash, Cash Equivalents and Investments** (continued)

Additionally, the Board has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

**G. Tuition Revenues/Receivable**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**H. Tuition Payable**

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

**I. Inventories**

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed



**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. Short-Term Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund” receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net position and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Board maintains a capitalization threshold of \$2,000.00. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Sites and Improvements	20 years	N/A
Building and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Compensated Absences**

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

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**N. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

**O. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**P. Accounting and Financial Reporting for Pensions**

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**P. Accounting and Financial Reporting for Pensions** (continued)

made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**Q. 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. Currently, the District has only one item that qualifies for reporting in this category, which is deferred amounts related to pensions.

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 District has one item that qualifies in this category, deferred amounts related to pension.

**R. Fund Balances:**

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**R. Fund Balances:** (continued)

- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**S. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**T. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

**V. Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, medical and dental benefits and TPAF on-behalf contributions were allocated based on salaries of that program. Changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**W. Use of Estimates**

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

**X. Recent Accounting Pronouncements:**

The Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement is effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**X. Recent Accounting Pronouncements:** (continued)

This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District had no transactions of this type for the year ended June 30, 2017.

The Government Accounting Standards Board issued GASB Statement 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*. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for fiscal years beginning after June 15, 2016. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**X. Recent Accounting Pronouncements:(continued)**

The Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements 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. The District believes this Statement will have no impact on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The District is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participation*, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The District is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope*



**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**X. Recent Accounting Pronouncements:**(continued)

of *GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. 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.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The District does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**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 District's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2017, \$- of the District's bank balance of \$987,852.75 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

**Credit Risk**

New Jersey Statutes 18A:20-37 limits school district investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The district places no limit on the amount the District may invest in any one issuer.

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2017 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial <u>Activities</u>	Enterprise Fund	District Wide Financial <u>Statements</u>
State Aid	\$140,039.54	\$ 1,159.27 - \$	141,198.81
Federal Aid		61,283.09	61,283.09
Other	\$19,918.50	120,100.00	140,018.50
Interfunds	<u>                  -</u>	<u>                  -</u>	<u>                  -</u>
Gross Receivables	<u>\$159,958.04</u>	<u>\$182,542.36</u>	<u>\$342,500.40</u>
Less Allowance for Uncollectables	<u>                  -</u>	<u>                  -</u>	<u>                  -</u>
Total Receivables Net	<u>\$159,958.04</u>	<u>\$182,542.36</u>	<u>\$342,500.40</u>

**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

There were no interfund balances at June 30, 2017

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 6. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 53,064.00	\$ -	\$ -	\$ 53,064.00
Total Capital Assets Not Being Depreciated	<u>53,064.00</u>	<u>-</u>	<u>-</u>	<u>53,064.00</u>
Land Improvements	591,750.00			591,750.00
Buildings and Improvements	24,794,593.03	201,093.97		24,995,687.00
Machinery and Equipment	<u>441,892.00</u>	<u>53,801.00</u>	<u>-</u>	<u>495,693.36</u>
Totals at Historical Cost	<u>25,838,235.39</u>	<u>254,894.97</u>	<u>-</u>	<u>26,083,130.36</u>
Less Accumulated Depreciation For:				
Land Improvements	(340,256.25)	(29,587.50)		(369,843.75)
Buildings and Improvements	(7,065,973.01)	(449,906.27)		(7,515,879.28)
Machinery and Equipment	<u>(406,967.88)</u>	<u>(29,585.57)</u>	<u>-</u>	<u>(436,553.45)</u>
Total Accumulated Depreciation	<u>(7,813,197.14)</u>	<u>(509,079.34)</u>	(1) <u>-</u>	<u>(8,322,276.48)</u>
Net Capital Assets Being Depreciated	<u>18,015,038.25</u>	<u>(254,184.37)</u>	<u>-</u>	<u>17,760,853.88</u>
Governmental Activities Capital Assets, Net	<u>\$18,068,102.25</u>	<u>\$ (254,184.37)</u>	<u>\$ -</u>	<u>\$17,813,917.88</u>
Business - Type Activities:				
Equipment	\$ 134,083.28	\$ -	\$ -	\$ 134,083.28
Less Accumulated Depreciation	<u>(40,981.62)</u>	<u>(29,911.96)</u>	<u>-</u>	<u>(70,893.58)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 93,101.66</u>	<u>\$ (29,911.96)</u>	<u>\$ -</u>	<u>\$ 63,189.70</u>

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

Instruction	\$ 500,439.34
School Administrative Services	8,200.00
Plant Operations and Maintenance	<u>440.00</u>
	<u>\$ 509,079.34</u>

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY**

Changes in long-term obligations for the fiscal year ended June 30, 2017 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Long - Term Debt:						
Serial Bonds	\$ 7,930,000.00	\$ -	\$(440,000.00)		\$7,490,000.00	\$455,000.00
Unamortized Premium	<u>660,099.33</u>	<u>-</u>	<u>(55,008.28)</u>		<u>605,091.05</u>	<u>55,008.28</u>
Total Debt Payable	<u>8,590,099.33</u>	<u>-</u>	<u>(495,008.28)</u>	(1)	<u>8,095,091.05</u>	<u>510,008.28</u>
Other Liabilities:						
Compensated Absences	350,745.58	98,247.69			448,993.27	-
Net Pension Liability	<u>3,609,693.00</u>	<u>1,448,304.00</u>	<u>-</u>		<u>5,057,997.00</u>	<u>-</u>
Total Other Liabilities	<u>3,960,438.58</u>	<u>1,546,551.69</u>	<u>-</u>	(2)	<u>5,506,990.27</u>	<u>-</u>
Governmental Activities						
Long - Term Liabilities	<u>\$12,550,537.91</u>	<u>\$1,546,551.69</u>	<u>\$(495,008.28)</u>		<u>\$13,602,081.32</u>	<u>\$510,008.28</u>

(1) Paid by Debt Service Fund

(2) Paid by General Fund

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY** (continued)

A. Bonds Payable:

The Board issued General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets.

Bonds are authorized in accordance with State Law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are General Obligation Bonds.

Outstanding Bonds Payable at June 30, 2017 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Refunding Bonds of 2012	Various	7/15	7/15/29	\$8,005,000.00	\$7,490,000.00

Principal and interest due on Serial Bonds Outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 455,000.00	\$ 263,825.00	\$ 718,825.00
2019	470,000.00	249,950.00	719,950.00
2020	485,000.00	238,050.00	723,050.00
2021	500,000.00	228,200.00	728,200.00
2022	515,000.00	212,900.00	727,900.00
2023	540,000.00	191,800.00	731,800.00
2024	560,000.00	169,800.00	729,800.00
2025	590,000.00	146,800.00	736,800.00
2026	620,000.00	122,600.00	742,600.00
2027	645,000.00	97,300.00	742,300.00
2028	675,000.00	70,900.00	745,900.00
2029	705,000.00	43,300.00	748,300.00
2030	730,000.00	14,600.00	712,400.00
	<u>\$7,490,000.00</u>	<u>\$2,050,025.00</u>	<u>\$9,540,025.00</u>

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS**

**Description of Plans** - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or reports can be accessed on the internet at:

[http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

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

**Benefits Provided**

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

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

**Benefits Provided**

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



**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Defined Contribution Retirement Program**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

Contributions Requirements Fund Based Statements

The Board's contribution to PERS equal to the required contributions for each year as reported in the fund based statements, were as follows:

<u>Year Ending</u>	<u>PERS</u>
6/30/17	\$151,718.00
6/30/16	138,247.00
6/30/15	133,225.00

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits have been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13, as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>	<u>LTDI Contribution</u>
6/30/17	\$703,310.00	\$607,249.00	\$25,483.00	\$2,703.00
6/30/16	529,261.00	661,596.00	26,364.00	-
6/30/15	349,193.00	594,227.00	25,123.00	-

In addition, the post-retirement medical benefits are included in the district-wide financial statements.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$526,098.16 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At June 30, 2017, the District had a liability of \$5,057,997.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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 governmental entities, actuarially determined. At June 30, 2016, the District's proportion was 0.01707794230 percent, which was an increase of 0.000997695 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$552,484.00. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 94,063.00	\$ -
Changes of assumptions	1,047,747.00	
Net difference between projected and actual earnings on pension plan investments	192,866.00	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	288,870.00	10,050.00
District contributions subsequent to the measurement date	<u>179,536.00</u>	<u>0.00</u>
Total	<u>\$1,803,082.00</u>	<u>\$ 10,050.00</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS** (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-  
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

The \$179,536.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$300,490
2018	300,490
2019	348,128
2020	292,478
2021	93,089

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
District s Proportion	0.01707794230 %	0.0016080247%

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**Actuarial Assumptions**

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

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Mortality Rates**

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plans actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

THIS SPACE INTENTIONALLY LEFT BLANK

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-  
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
	<u>100.00%</u>	

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-  
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2016, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2016</u>		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
District's proportionate share of the pension liability	\$6,197,985	\$5,057,997	\$4,116,838

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-  
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Teachers Pensions and Annuity Fund (TPAF)**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2017 was as follows:

Net Pension Liability:

District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>\$54,592,675</u>
	<u>\$54,592,675</u>

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, 2015 rolled forward to June 30, 2016. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the proportion of the TPAF net pension liability associated with the District was 0.0693977326%.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$4,101,880.00 for contributions provided by the State in the District-Wide Financial Statements.

THIS SPACE INTENTIONALLY LEFT BLANK



**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-  
WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Actuarial Assumptions**

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

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

**Mortality Rates**

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Teachers Pensions and Annuity Fund (TPAF) (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds – Multi-Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuary determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2026, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS: (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)**

**Teachers Pensions and Annuity Fund (TPAF) (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

**NOTE 9. POST-RETIREMENT BENEFITS:**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 Chapter 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

<http://www.nj.gov/treasury/pensions/pdf/financial1/2016divisioncombined.pdf>

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 10. DEFERRED COMPENSATION**

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Metlife  
AXA Equitable  
Lincoln Financial Group

**NOTE 11. RISK MANAGEMENT**

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

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

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$25,000.00	\$17,096.16	\$161,295.83	\$32,902.12
2015-2016	\$ -	\$21,763.29	\$ 3,953.37	\$152,101.79
2014-2015	\$35,000.00	\$15,442.97	\$ 693.51	\$134,291.87

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 12. CAPITAL RESERVE ACCOUNT**

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

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP). A district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfers 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. 6A:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve since its inception is as follows:

Beginning Balance, July 1, 2012	\$ 1.00
Transfer from Unassigned Fund Balance 2012-2013	316,346.00
Transfer from Unassigned Fund Balance 2013-2014	250,000.00
Budgeted Withdrawal 2014-2015	(566,347.00)
Transfer from Unassigned Fund Balance 2014-2015	150,000.00
Transfer from Unassigned Fund Balance 2016-2017	<u>250,000.00</u>
Ending Balance June 30, 2017	<u>\$ 400,000.00</u>

The balance in the capital reserve account at June 30, 2017 does not exceed the balance of local support costs of uncompleted capital projects in its LRFP. Withdrawals from the capital reserve, where applicable, are for use in a DOE approved facilities project, consistent with the District’s Long Range Facilities Plan.

**NOTE 13. INVENTORY**

Inventory on the Food Service Fund at June 30, 2017 consisted of the following:

Food	\$3,150.45
Supplies	<u>1,977.83</u>
	<u>\$5,128.28</u>

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as unearned revenue.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 14: CALCULATION OF EXCESS SURPLUS**

In accordance with *N.J.S.A. 18A:7F-7*, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in the subsequent years' budget. The District had no excess fund balance at June 30, 2017.

**NOTE 16. DEFICIT FUND BALANCES**

The District has a deficit fund balance of (\$250,215.09) in the General Fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). *N.J.S.A. 18A:22-44.2* provides that in the event a state school aid payment is not made until the following budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes as asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to timing difference of recording the June state aid payment (s), the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A. 18A:22-4.2* any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of (\$250,215.09) is less than the last state aid payment.

**NOTE 15. FUND BALANCE APPROPRIATED**

**General Fund (B-1)** - Of the \$554,811.85 General Fund fund balance at June 30, 2017, \$80,026.94 is reserved for encumbrances, \$400,000.00 has been reserved in the Capital Reserve Account, \$325,000.00 has been reserved for Designated for Subsequent Year's Expenditure; and \$(250,215.09) is unreserved and undesignated.

**Debt Service Fund** - \$0.83 is unreserved and undesignated.

**Borough of Dunellen School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 16. CONTINGENT LIABILITIES**

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - The Board's attorney is unaware of any potential claims against the District that would materially affect the financial condition of the District.

**NOTE 17: SUBSEQUENT EVENT**

The District has evaluated subsequent events through December 5, 2017, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**



## **BUDGETARY COMPARISON SCHEDULE**

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2017  
(Concluded)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 10,249,324.00	\$ -	\$ 10,249,324.00	\$ 10,249,324.00	\$ -
Tuition - Individuals	44,000.00	-	44,000.00	45,387.50	1,387.50
Tuition - Other LEA'S	30,000.00	-	30,000.00	21,400.00	(8,600.00)
Miscellaneous	20,620.00	-	20,620.00	60,335.70	39,715.70
<b>Total - Local Sources</b>	<b>10,343,944.00</b>	<b>-</b>	<b>10,343,944.00</b>	<b>10,376,447.20</b>	<b>32,503.20</b>
State Sources:					
Equalization Aid	4,510,934.00	-	4,510,934.00	4,510,934.00	-
Transportation Aid	21,220.00	-	21,220.00	21,220.00	-
Special Education Aid	703,414.00	-	703,414.00	703,414.00	-
Security Aid	65,057.00	-	65,057.00	65,057.00	-
Extraordinary Aid	125,000.00	-	125,000.00	114,641.00	(10,359.00)
Under Adequacy Aid	159,306.00	-	159,306.00	159,306.00	-
PARCC Readiness Aid	11,620.00	-	11,620.00	11,620.00	-
Per Pupil Growth Aid	11,620.00	-	11,620.00	11,620.00	-
Professional Learning Community Aid	11,220.00	-	11,220.00	11,220.00	-
TPAF LTDI (On-Behalf - Non-Budgeted)	-	-	-	2,703.00	2,703.00
TPAF PRM (On-Behalf - Non-Budgeted)	-	-	-	607,249.00	607,249.00
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	728,793.00	728,793.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	526,098.16	526,098.16
<b>Total State Sources</b>	<b>5,619,391.00</b>	<b>-</b>	<b>5,619,391.00</b>	<b>7,473,875.16</b>	<b>1,854,484.16</b>
Federal Sources:					
Medical Assistance Program	16,403.00	-	16,403.00	21,390.94	4,987.94
<b>Total - Federal Sources</b>	<b>16,403.00</b>	<b>-</b>	<b>16,403.00</b>	<b>21,390.94</b>	<b>4,987.94</b>
<b>Total Revenues</b>	<b>15,979,738.00</b>	<b>-</b>	<b>15,979,738.00</b>	<b>17,871,713.30</b>	<b>1,891,975.30</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Preschool - Salaries of Teachers	105-100-101	\$ 29,340.00	\$ (29,340.00)	\$ -	\$ -
Kindergarten - Salaries of Teachers	110-100-101	248,100.00	(33,900.00)	214,200.00	214,200.00
Grades 1-5 - Salaries of Teachers	120-100-101	1,514,490.00	(114,036.55)	1,400,453.45	1,395,547.75
Grades 6-8 - Salaries of Teachers	130-100-101	856,231.00	61,407.15	917,638.15	911,050.15
Grades 9-12 - Salaries of Teachers	140-100-101	1,854,867.00	(38,387.66)	1,816,479.34	1,804,024.34
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	150-100-101	22,500.00	(14,316.61)	8,183.39	8,183.19
Purchased Professional-Educational Services	150-100-320	16,000.00	6,944.00	22,944.00	21,984.00
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	190-100-106	102,560.00	11,050.40	113,610.40	113,610.40
Purchased Professional-Educational Services	190-100-320	10,700.00	(6,545.00)	4,155.00	3,724.00
General Supplies	190-100-610	181,670.00	59,563.34	241,233.34	230,339.54
Textbooks	190-100-640	77,250.00	265.47	77,515.47	77,265.47
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>		<b>4,913,708.00</b>	<b>(97,295.46)</b>	<b>4,816,412.54</b>	<b>4,779,928.84</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	209-100-101	92,289.00	35,180.09	127,469.09	127,469.09
Other Salaries for Instruction	209-100-106	18,994.00	22,459.55	41,453.55	41,453.55
General Supplies	209-100-610	2,600.00	(889.67)	1,710.33	1,710.33
Textbooks	209-100-640	300.00	(300.00)	-	-
<b>Total Behavioral Disabilities</b>		<b>114,183.00</b>	<b>56,449.97</b>	<b>170,632.97</b>	<b>170,632.97</b>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	212-100-101	170,200.00	(2,683.84)	167,516.16	167,516.16
Other Salaries for Instruction	212-100-106	21,569.00	21,569.00	43,138.00	43,138.00
General Supplies	212-100-610	1,400.00	-	1,400.00	794.37
Textbooks	212-100-640	1,000.00	(225.56)	774.44	774.44
<b>Total Multiple Disabilities</b>		<b>194,169.00</b>	<b>18,659.60</b>	<b>212,828.60</b>	<b>212,222.97</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	213-100-101	399,870.00	(16,750.00)	383,120.00	383,120.00
Other Salaries for Instruction	213-100-106	256,033.00	(30,347.93)	225,685.07	225,685.07
General Supplies	213-100-610	2,800.00	-	2,800.00	2,401.31
<b>Total Resource Room/Resource Center</b>		<b>658,703.00</b>	<b>(47,097.93)</b>	<b>611,605.07</b>	<b>611,206.38</b>

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2017  
(Concluded)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Preschool Disabilities - Full-Time:</b>						
Salaries of Teachers	216-100-101	84,760.00	(74,492.68)	10,267.32	10,267.32	-
Other Salaries for Instruction	216-100-106	77,663.00	(77,663.00)	-	-	-
Purchased Professional-Educational Services	216-100-320	-	391,500.00	391,500.00	391,500.00	-
General Supplies	216-100-610	1,350.00	(1,350.00)	-	-	-
<b>Total Preschool Disabilities - Full-Time</b>		<u>163,773.00</u>	<u>237,994.32</u>	<u>401,767.32</u>	<u>401,767.32</u>	<u>-</u>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>		<u>1,130,828.00</u>	<u>266,005.96</u>	<u>1,396,833.96</u>	<u>1,395,829.64</u>	<u>1,004.32</u>
<b>Basic Skills/Remedial - Instruction</b>						
Salaries of Teachers	230-100-101	130,985.00	11,074.20	142,059.20	141,424.70	634.50
General Supplies	230-100-610	500.00	-	500.00	444.20	55.80
Textbooks	230-100-640	6,800.00	(5,039.84)	1,760.16	1,760.16	-
<b>Total Basic Skills/Remedial - Instruction</b>		<u>138,285.00</u>	<u>6,034.36</u>	<u>144,319.36</u>	<u>143,629.06</u>	<u>690.30</u>
<b>Bilingual Education - Instruction</b>						
Salaries of Teachers	240-100-101	115,700.00	-	115,700.00	115,700.00	-
General Supplies	240-100-610	2,500.00	(2,216.48)	283.52	283.52	-
<b>Total Bilingual Education - Instruction</b>		<u>118,200.00</u>	<u>(2,216.48)</u>	<u>115,983.52</u>	<u>115,983.52</u>	<u>-</u>
<b>School-Spon. Cocurricular Actvts. - Inst.</b>						
Salaries	401-100-100	110,000.00	(639.00)	109,361.00	108,597.75	763.25
Supplies and Materials	401-100-600	2,870.00	(1,936.16)	933.84	933.84	-
Other Objects	401-100-800	230.00	(45.00)	185.00	185.00	-
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>		<u>113,100.00</u>	<u>(2,620.16)</u>	<u>110,479.84</u>	<u>109,716.59</u>	<u>763.25</u>
<b>School-Spon. Athletics - Inst.</b>						
Salaries	402-100-100	155,000.00	2,074.84	157,074.84	156,286.17	788.67
Purchased Services (300-500 series)	402-100-500	19,412.00	12,350.51	31,762.51	31,389.51	373.00
Supplies and Materials	402-100-600	13,080.00	599.96	13,679.96	13,237.22	442.74
Other Objects	402-100-800	9,245.00	1,667.99	10,912.99	10,912.99	-
Transfers to Cover Deficit (Agency Funds)	402-100-930	21,000.00	3,000.00	24,000.00	24,000.00	-
<b>Total School-Spon. Athletics - Inst.</b>		<u>217,737.00</u>	<u>19,693.30</u>	<u>237,430.30</u>	<u>235,825.89</u>	<u>1,604.41</u>
<b>Total Instruction</b>		<u>6,631,858.00</u>	<u>189,601.52</u>	<u>6,821,459.52</u>	<u>6,780,913.54</u>	<u>40,545.98</u>
<b>Undistributed Expenditures - Instruction:</b>						
Tuition to Other LEAs Within the State - Special	000-100-562	170,000.00	(70,456.92)	99,543.08	95,663.35	3,879.73
Tuition to CSSD & Regional Day Schools	000-100-565	400,000.00	(52,331.39)	347,668.61	223,924.41	123,744.20
Tuition to Private Schools for the Disabled - Within State	000-100-566	650,000.00	17,905.72	667,905.72	564,810.04	103,095.68
<b>Total Undistributed Expenditures - Instruction:</b>		<u>1,220,000.00</u>	<u>(104,882.59)</u>	<u>1,115,117.41</u>	<u>884,397.80</u>	<u>230,719.61</u>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>						
Salaries	000-211-100	209,820.00	(108,586.00)	101,234.00	101,234.00	-
Supplies and Materials	000-211-600	3,126.00	(1,589.39)	1,536.61	725.00	811.61
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>		<u>212,946.00</u>	<u>(110,175.39)</u>	<u>102,770.61</u>	<u>101,959.00</u>	<u>811.61</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2017  
(Concluded)**

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Health Services</b>						
Salaries	000-213-100	122,200.00	63.33	122,263.33	122,263.33	-
Purchased Professional and Technical Services	000-213-300	5,000.00	6,250.00	11,250.00	10,379.54	870.46
Supplies and Materials	000-213-600	12,250.00	(7,407.00)	4,843.00	4,757.53	85.47
<b>Total Undistributed Expenditures - Health Services</b>		<b>139,450.00</b>	<b>(1,093.67)</b>	<b>138,356.33</b>	<b>137,400.40</b>	<b>955.93</b>
<b>Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>						
Salaries of Other Professional Staff	000-216-100	59,311.00	(2,792.50)	56,518.50	56,518.50	-
Purchased Professional - Educational Services	000-216-320	231,000.00	1,466.55	232,466.55	232,426.55	40.00
Supplies and Materials	000-216-600	500.00	(86.03)	413.97	413.97	-
<b>Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>		<b>290,811.00</b>	<b>(1,411.98)</b>	<b>289,399.02</b>	<b>289,359.02</b>	<b>40.00</b>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>						
Salaries of Other Professional Staff	000-217-100	55,000.00	(55,000.00)	-	-	-
Purchased Professional - Educational Services	000-217-320	-	52,619.71	52,619.71	52,619.71	-
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>		<b>55,000.00</b>	<b>(2,380.29)</b>	<b>52,619.71</b>	<b>52,619.71</b>	<b>-</b>
<b>Undist. Expend. - Guidance</b>						
Salaries of Other Professional Staff	000-218-104	184,960.00	(758.60)	184,201.40	184,201.40	-
Salaries of Secretarial and Clerical Assistants	000-218-105	49,580.00	-	49,580.00	49,579.92	0.08
Other Salaries	000-218-110	6,000.00	(810.00)	5,190.00	5,190.00	-
Other Purchased Prof. and Tech. Services	000-218-390	5,700.00	(3,795.50)	1,904.50	1,904.50	-
Supplies and Materials	000-218-600	2,000.00	-	2,000.00	903.18	1,096.82
Other Objects	000-218-800	1,100.00	-	1,100.00	1,013.04	86.96
<b>Total Undist. Expend. - Guidance</b>		<b>249,340.00</b>	<b>(5,364.10)</b>	<b>243,975.90</b>	<b>242,792.04</b>	<b>1,183.86</b>
<b>Undist. Expend. - Child Study Team</b>						
Salaries of Other Professional Staff	000-219-104	327,210.00	83,996.18	411,206.18	411,206.18	-
Salaries of Secretarial and Clerical Assistants	000-219-105	57,780.00	1,000.60	58,780.60	58,780.60	-
Other Salaries	000-219-110	500.00	6,060.00	6,560.00	6,560.00	-
Purchased Professional - Educational Services	000-219-320	16,000.00	(3,275.00)	12,725.00	12,725.00	-
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	3,400.00	(1,742.48)	1,657.52	1,657.52	-
Supplies and Materials	000-219-600	7,000.00	5,713.23	12,713.23	10,349.57	2,363.66
Other Objects	000-219-800	2,100.00	(604.34)	1,495.66	1,495.66	-
<b>Total Undist. Expend. - Child Study Team</b>		<b>413,990.00</b>	<b>91,148.19</b>	<b>505,138.19</b>	<b>502,774.53</b>	<b>2,363.66</b>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>						
Salaries of Supervisor of Instruction	000-221-102	205,000.00	(80,199.76)	124,800.24	124,800.00	0.24
Salaries of Other Professional Staff	000-221-104	6,500.00	72,171.48	78,671.48	-	78,671.48
Salaries of Sec and Clerical Assis.	000-221-105	37,000.00	(14,110.00)	22,890.00	22,890.00	-
Other Salaries	000-221-110	4,500.00	748.00	5,248.00	5,248.00	-
Purchased Prof- Educational Services	000-221-320	4,579.00	3,709.21	8,288.21	8,288.21	-
Other Purch Services (400-500)	000-221-500	9,000.00	(3,900.00)	5,100.00	4,790.70	309.30
Supplies and Materials	000-221-600	1,200.00	-	1,200.00	645.36	554.64
Other Objects	000-221-800	2,030.00	-	2,030.00	1,424.91	605.09
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>		<b>269,809.00</b>	<b>(21,581.07)</b>	<b>248,227.93</b>	<b>168,087.18</b>	<b>80,140.75</b>
<b>Undist. Expend. - Edu. Media Serv./Sch. Library</b>						
Salaries	000-222-100	145,147.00	(3,000.00)	142,147.00	142,147.00	-
Salaries of Technology Coordinators	000-222-177	82,350.00	9,337.95	91,687.95	91,687.95	-
Supplies and Materials	000-222-600	7,100.00	-	7,100.00	6,142.01	957.99
Other Objects	000-222-800	100.00	-	100.00	-	100.00
<b>Total Undist. Expend. - Edu. Media Serv./Sch. Library</b>		<b>234,697.00</b>	<b>6,337.95</b>	<b>241,034.95</b>	<b>239,976.96</b>	<b>1,057.99</b>
<b>Undist. Expend. - Instructional Staff Training Serv.</b>						
Purchased Professional - Educational Service	000-223-320	3,000.00	-	3,000.00	1,350.00	1,650.00
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>		<b>3,000.00</b>	<b>-</b>	<b>3,000.00</b>	<b>1,350.00</b>	<b>1,650.00</b>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>						
Salaries	000-230-100	210,510.00	(60.24)	210,449.76	210,449.76	-
Legal Services	000-230-331	20,000.00	3,449.16	23,449.16	23,449.16	-
Audit Services	000-230-332	21,600.00	-	21,600.00	21,600.00	-
Other Purchased Professional Services	000-230-339	8,000.00	(3,180.00)	4,820.00	4,820.00	-
Purchased Technical Services	000-230-340	7,500.00	(2,150.00)	5,350.00	5,350.00	-
Communications/Telephone	000-230-530	54,910.00	32,253.33	87,163.33	87,163.33	-
Other Purchased Services (400-500 series)	000-230-590	115,000.00	23,540.49	138,540.49	138,540.49	-
Supplies and Materials	000-230-610	3,000.00	353.33	3,353.33	3,336.35	16.98
Judgments Against the School District	000-230-820	20,000.00	(20,000.00)	-	-	-
Miscellaneous Expenditures	000-230-890	5,500.00	5,919.64	11,419.64	11,419.64	-
Board of Education Dues	000-230-895	8,000.00	(165.65)	7,834.35	7,834.35	-
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>		<b>474,020.00</b>	<b>39,960.06</b>	<b>513,980.06</b>	<b>513,963.08</b>	<b>16.98</b>
<b>Undist. Expend. - Support Serv. - School Admin.</b>						
Salaries of Principals/Assistant Principals	000-240-103	490,750.00	89,199.76	579,949.76	579,949.44	0.32
Salaries of Other Professional Staff	000-240-104	27,440.00	(27,440.00)	-	-	-
Salaries of Secretarial and Clerical Assistants	000-240-105	109,760.00	-	109,760.00	109,760.00	-
Other Salaries	000-240-110	12,000.00	(778.86)	11,221.14	11,221.14	-
Other Purchased Services (400-500 series)	000-240-500	4,380.00	(999.59)	3,380.41	3,319.75	60.66
Supplies and Materials	000-240-600	10,200.00	42.39	10,242.39	5,689.17	4,553.22
Other Objects	000-240-800	5,200.00	(1,081.00)	4,119.00	4,074.00	45.00
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>		<b>659,730.00</b>	<b>58,942.70</b>	<b>718,672.70</b>	<b>714,013.50</b>	<b>4,659.20</b>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2017  
(Concluded)**

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Central Services</b>						
Salaries	000-251-100	312,953.00	2,331.93	315,284.93	315,284.93	-
Purchased Professional and Technical Services	000-251-330	3,500.00	(3,500.00)	-	-	-
Other Purchased Services (400-500 series)	000-251-592	4,800.00	2,963.12	7,763.12	6,668.12	1,095.00
General Supplies	000-251-600	3,750.00	(305.12)	3,444.88	3,203.04	241.84
Other Objects	000-251-890	2,300.00	(858.00)	1,442.00	1,222.52	219.48
<b>Total Undist. Expend. - Central Services</b>		<b>327,303.00</b>	<b>631.93</b>	<b>327,934.93</b>	<b>326,378.61</b>	<b>1,556.32</b>
<b>Undist. Expend. - Information Technology</b>						
Salaries	000-252-100	85,350.00	-	85,350.00	84,150.00	1,200.00
Purchased Professional and Technical Services	000-252-330	46,000.00	-	46,000.00	44,920.23	1,079.77
General Supplies	000-252-600	7,500.00	2,640.00	10,140.00	10,011.06	128.94
Other Objects	000-252-800	250.00	250.00	500.00	327.21	172.79
<b>Total Undist. Expend. - Technology</b>		<b>139,100.00</b>	<b>2,890.00</b>	<b>141,990.00</b>	<b>139,408.50</b>	<b>2,581.50</b>
<b>Undist. Expend. - Required Maint. for Sch. Facil.</b>						
Salaries	000-261-100	149,000.00	15,909.49	164,909.49	164,909.49	-
Cleaning, Repair and Maintenance Services	000-261-420	95,000.00	(15,360.00)	79,640.00	76,555.39	3,084.61
General Supplies	000-261-610	57,500.00	4,369.99	61,869.99	57,199.97	4,670.02
Other Objects	000-261-800	5,000.00	-	5,000.00	3,520.72	1,479.28
<b>Total Undist. Expend. - Required Maint. for Sch. Facil.</b>		<b>306,500.00</b>	<b>4,919.48</b>	<b>311,419.48</b>	<b>302,185.57</b>	<b>9,233.91</b>
<b>Undist. Expend. - Oth. Oper. &amp; Maint. of Plant</b>						
Salaries	000-262-100	340,000.00	22,714.11	362,714.11	362,714.11	-
Purchased Professional and Technical Services	000-262-300	12,500.00	(4,196.25)	8,303.75	8,303.75	-
Cleaning, Repair and Maintenance Services	000-262-420	127,050.00	(3,747.30)	123,302.70	123,302.70	-
Other Purchased Property Services	000-262-490	40,000.00	-	40,000.00	35,544.53	4,455.47
Insurance	000-262-520	70,000.00	8,887.00	78,887.00	78,887.00	-
Miscellaneous Purchased Services	000-262-590	15,000.00	(5,000.00)	10,000.00	3,963.36	6,036.64
General Supplies	000-262-610	30,000.00	26,500.00	56,500.00	53,895.64	2,604.36
Energy (Natural Gas)	000-262-621	100,800.00	(20,800.00)	80,000.00	68,622.67	11,377.33
Energy (Electricity)	000-262-622	220,000.00	(10,800.00)	209,200.00	160,315.23	48,884.77
Other Objects	000-262-800	3,000.00	1,374.76	4,374.76	860.00	3,514.76
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>		<b>958,350.00</b>	<b>14,932.32</b>	<b>973,282.32</b>	<b>896,408.99</b>	<b>76,873.33</b>
<b>Care and Upkeep of Grounds</b>						
Cleaning, Repair and Maintenance Services	000-263-420	11,000.00	2,500.00	13,500.00	12,010.92	1,489.08
General Supplies	000-263-610	20,000.00	(9,650.63)	10,349.37	10,274.37	75.00
Other Objects	000-263-800	250.00	-	250.00	-	250.00
<b>Total Care and Upkeep of Grounds</b>		<b>31,250.00</b>	<b>(7,150.63)</b>	<b>24,099.37</b>	<b>22,285.29</b>	<b>1,814.08</b>
<b>Undist. Expend. - Student Transportation Serv.</b>						
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	66,700.00	250.00	66,950.00	63,953.14	2,996.86
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	130,000.00	(48,479.07)	81,520.93	81,520.93	-
Contracted Services (Special Education Students) - Vendors	000-270-514	-	29,437.50	29,437.50	29,437.50	-
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	40,000.00	(21,693.31)	18,306.69	7,468.00	10,838.69
Contracted Services (Special Education Students) - ESCs	000-270-518	400,000.00	(32,037.38)	367,962.62	334,962.62	33,000.00
Contracted Services - Aid in Lieu of Payments	000-270-503	-	5,922.80	5,922.80	5,569.20	353.60
Miscellaneous Expenditures	000-270-800	9,000.00	2,220.49	11,220.49	11,220.49	-
<b>Total Undist. Expend. - Student Transportation Serv.</b>		<b>645,700.00</b>	<b>(64,378.97)</b>	<b>581,321.03</b>	<b>534,131.88</b>	<b>47,189.15</b>
<b>UNALLOCATED BENEFITS</b>						
Group Insurance	000-291-210	1,500.00	(1,500.00)	-	-	-
Social Security Contributions	000-291-220	175,000.00	19,746.87	194,746.87	184,890.10	9,856.77
Other Retirement Contributions - Regular	000-291-241	164,000.00	(10,772.24)	153,227.76	153,227.76	-
Unemployment Compensation	000-291-250	-	25,000.00	25,000.00	25,000.00	-
Workmen's Compensation	000-291-260	75,000.00	(9,625.68)	65,374.32	65,374.32	-
Health Benefits	000-291-270	2,350,000.00	(256,944.26)	2,093,055.74	2,089,902.68	3,153.06
Tuition Reimbursement	000-291-280	20,000.00	36,239.80	56,239.80	56,239.80	-
Other Employee Benefits	000-291-290	17,500.00	8,510.72	26,010.72	25,445.72	565.00
<b>TOTAL UNALLOCATED BENEFITS</b>		<b>2,803,000.00</b>	<b>(189,344.79)</b>	<b>2,613,655.21</b>	<b>2,600,080.38</b>	<b>13,574.83</b>
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>						
TPAF LTDI (On-Behalf - Non-Budgeted)		-	-	-	2,703.00	(2,703.00)
TPAF PRM (On-Behalf - Non-Budgeted)		-	-	-	607,249.00	(607,249.00)
TPAF Pension Contributions (On-Behalf - Non-Budgeted)		-	-	-	728,793.00	(728,793.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)		-	-	-	526,098.16	(526,098.16)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,864,843.16</b>	<b>(1,864,843.16)</b>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>		<b>2,803,000.00</b>	<b>(189,344.79)</b>	<b>2,613,655.21</b>	<b>4,464,923.54</b>	<b>(1,851,268.33)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>		<b>9,433,996.00</b>	<b>(288,000.85)</b>	<b>9,145,995.15</b>	<b>10,534,415.60</b>	<b>(1,388,420.45)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>		<b>16,065,854.00</b>	<b>(98,399.33)</b>	<b>15,967,454.67</b>	<b>17,315,329.14</b>	<b>(1,347,874.47)</b>

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2017  
(Concluded)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>	
<b>CAPITAL OUTLAY</b>						
<b>Equipment</b>						
<b>Regular Programs - Instruction:</b>						
Grades 1-5	120-100-730	17,500.00	44,020.31	61,520.31	17,500.00	44,020.31
<b>Undistributed Expenditures:</b>						
Undistributed Expenditures - Operation of Plant Services	000-260-730	<u>16,566.00</u>	<u>19,735.28</u>	<u>36,301.28</u>	<u>36,301.28</u>	<u>-</u>
<b>Total Equipment</b>		<u>34,066.00</u>	<u>63,755.59</u>	<u>97,821.59</u>	<u>53,801.28</u>	<u>44,020.31</u>
<b>Facilities Acquisition and Construction Services</b>						
Construction Services	000-400-450	166,500.00	35,992.69	202,492.69	201,093.69	1,399.00
Assessment for Debt Service on SDA Funding	000-400-896	61,602.00	-	61,602.00	61,602.00	-
Capital Reserve - Transfer to Capital Projects	000-400-931	-	-	-	-	-
Capital Outlay - Transfer to Capital Projects	000-400-932	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>		<u>228,102.00</u>	<u>35,992.69</u>	<u>264,094.69</u>	<u>262,695.69</u>	<u>1,399.00</u>
<b>TOTAL CAPITAL OUTLAY</b>		<u>262,168.00</u>	<u>99,748.28</u>	<u>361,916.28</u>	<u>316,496.97</u>	<u>45,419.31</u>
Transfer of Funds to Charter Schools	000-100-56X	<u>51,716.00</u>	<u>-</u>	<u>51,716.00</u>	<u>51,716.00</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>		<u>16,379,738.00</u>	<u>1,348.95</u>	<u>16,381,086.95</u>	<u>17,683,542.11</u>	<u>(1,302,455.16)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		(400,000.00)	(1,348.95)	(401,348.95)	188,171.19	589,520.14
<b>Fund Balance, July 1</b>		<u>901,429.66</u>	<u>-</u>	<u>901,429.66</u>	<u>901,429.66</u>	<u>-</u>
<b>Fund Balance, June 30</b>		<u>\$ 501,429.66</u>	<u>\$ (1,348.95)</u>	<u>\$ 500,080.71</u>	<u>\$ 1,089,600.85</u>	<u>\$ 589,520.14</u>
<b>Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses):</b>						
Increase in Capital Reserve			\$ -	\$ -	\$ 250,000.00	\$ 250,000.00
Adjustment for Prior Year Encumbrances		-	(1,348.95)	(1,348.95)	(1,348.95)	-
Budgeted Fund Balance		<u>(400,000.00)</u>	<u>-</u>	<u>(400,000.00)</u>	<u>(60,479.86)</u>	<u>339,520.14</u>
<b>Total</b>		<u>\$ (400,000.00)</u>	<u>\$ (1,348.95)</u>	<u>\$ (401,348.95)</u>	<u>\$ 188,171.19</u>	<u>\$ 589,520.14</u>
<b>Analysis of Fund Balance June 30, 2017:</b>						
<b>Restricted:</b>						
Capital Reserve Account				400,000.00		
<b>Assigned:</b>						
Encumbrances				80,026.94		
Designated for Subsequent Year's Expenditures				325,000.00		
Unassigned Fund Balance				<u>284,573.91</u>		
				<u>\$ 1,089,600.85</u>		
<b>Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:</b>						
Fund Balance June 30, 2017				\$ 1,089,600.85		
Last Current Year State Aid Payments Not Realized on GAAP Basis				<u>(534,789.00)</u>		
				<u>\$ 554,811.85</u>		

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	662,000.00	(118,992.00)	543,008.00	541,717.40	(1,290.60)
Local Sources	-	6,763.95	6,763.95	2,767.95	(3,996.00)
<b>Total Revenues</b>	<u>662,000.00</u>	<u>(112,228.05)</u>	<u>549,771.95</u>	<u>544,485.35</u>	<u>(5,286.60)</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	370,000.00	(186,442.06)	183,557.94	183,557.94	-
Other Purchased Services (400-500 series)	250,000.00	(12,217.00)	237,783.00	237,783.00	-
General Supplies	-	40,180.66	40,180.66	36,184.66	3,996.00
<b>Total Instruction</b>	<u>620,000.00</u>	<u>(158,478.40)</u>	<u>461,521.60</u>	<u>457,525.60</u>	<u>3,996.00</u>
<b>Support Services</b>					
Personal Services - Salaries	42,000.00	(32,367.00)	9,633.00	9,633.00	-
Personal Services - Employee Benefits	-	52,602.00	52,602.00	52,602.00	-
Purchased Professional - Educational Services	-	1,100.00	1,100.00	1,100.00	-
Other Purchased Services (400-500 series)	-	19,269.26	19,269.26	17,978.66	1,290.60
Supplies & Materials	-	5,596.09	5,596.09	5,596.09	-
Other Objects	-	50.00	50.00	50.00	-
<b>Total Support Services</b>	<u>42,000.00</u>	<u>46,250.35</u>	<u>88,250.35</u>	<u>86,959.75</u>	<u>1,290.60</u>
<b>Total Expenditures</b>	<u>662,000.00</u>	<u>(112,228.05)</u>	<u>549,771.95</u>	<u>544,485.35</u>	<u>5,286.60</u>
<b>Total Outflows</b>	<u>\$662,000.00</u>	<u>\$(112,228.05)</u>	<u>\$549,771.95</u>	<u>\$544,485.35</u>	<u>\$ 5,286.60</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PART II**



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

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

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] & [C-2]	\$ 17,871,713.30	\$ 544,485.35
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		(6,129.00)	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 17,865,584.30</u>	<u>\$ 544,485.35</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] & [C-2]	\$ 17,683,542.11	\$ 544,485.35
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -	-	-
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 17,683,542.11</u>	<u>\$ 544,485.35</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
Schedules of Required Supplementary Information  
Schedule of District's Proportionate Share of Net Pension Liability - PERS  
*Last 10 Fiscal Years\**

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	District's Covered Payrol -PERS Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0161605205%	\$ 3,025,691	\$ 1,156,451	261.64%	47.92%
2016	0.0160802473%	3,609,693	1,265,305	285.28%	52.07%
2017	0.0170779423%	5,057,997	1,574,452	321.25%	59.86%

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
Schedules of Required Supplementary Information  
Schedule of District's Contributions - PERS  
*Last 10 Fiscal Years\**

Fiscal Year Ending June30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's PERS Covered- Employee Payroll	Contributions as a Percentage of PERS Covered- Employee Payroll
2015	\$ 133,225	\$ 133,225	\$ -	\$ 1,156,451	11.52%
2016	138,247	138,247	\$ -	1,265,305	10.93%
2017	151,718	151,718		1,574,452	9.64%

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
Schedules of Required Supplementary Information  
Schedule of District's Proportionate Share of Net Pension Liability - TPAF  
Last 10 Fiscal Years\*

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)	District's Covered Payrol -TPAF Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0654454854%	\$ -	\$ 34,978,482	\$ 6,554,337	0.00%	33.64%
2016	0.0692361559%	\$ -	43,760,207	6,912,756	0.00%	28.71%
2017	0.0693977326%	\$ -	54,592,675	7,138,073	0.00%	22.33%

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
**Note to Required Schedules of Supplementary Information - Part III**  
**For the fiscal year ended June 30, 2017**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (3.22%), resulting in a change in the discount rate from 4.13% to 3.22%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

## **OTHER SUPPLEMENTARY INFORMATION**



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

**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2017**

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>					
State Sources		\$ -	\$ -	\$ -	\$ -
Federal Sources		541,717.40		541,717.40	
Local Sources		<u>2,767.95</u>	<u>-</u>	<u>-</u>	<u>2,767.95</u>
<b>Total Revenues</b>		<u>544,485.35</u>	<u>-</u>	<u>541,717.40</u>	<u>2,767.95</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	100-100	183,557.94	-	183,557.94	-
Other Purchased Services (400-500 series)	100-500	237,783.00	-	237,783.00	-
General Supplies	100-610	<u>36,184.66</u>	<u>-</u>	<u>33,416.71</u>	<u>2,767.95</u>
<b>Total Instruction</b>		<u>457,525.60</u>	<u>-</u>	<u>454,757.65</u>	<u>2,767.95</u>
<b>Support Services:</b>					
Personal Services - Salaries	200-100	9,633.00		9,633.00	
Personal Services - Employee Benefits	200-200	52,602.00		52,602.00	
Purchased Professional - Educational Services	200-320	1,100.00		1,100.00	
Other Purchased Services (400-500 series)	200-500	17,978.66		17,978.66	
Supplies and Materials	200-600	5,596.09		5,596.09	
Other Objects	200-800	<u>50.00</u>	<u>-</u>	<u>50.00</u>	<u>-</u>
<b>Total Support Services</b>		<u>86,959.75</u>	<u>-</u>	<u>86,959.75</u>	<u>-</u>
<b>Total Expenditures</b>		<u>\$ 544,485.35</u>	<u>\$ -</u>	<u>\$ 541,717.40</u>	<u>\$ 2,767.95</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Special Revenue Fund**  
**Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2017**

	N.C.L.B.					I.D.E.A. Part B		
	Total	Title I	Title IIA	Title III	Title III Immigrant	Basic	Preschool	
<b>REVENUES</b>								
Federal Sources	\$ 541,717.40	\$ 252,362.00	\$ 28,317.40	\$ 13,780.00	\$ 2,478.00	\$ 237,783.00	\$ 6,997.00	
<b>Total Federal Revenues</b>	<u>541,717.40</u>	<u>252,362.00</u>	<u>28,317.40</u>	<u>13,780.00</u>	<u>2,478.00</u>	<u>237,783.00</u>	<u>6,997.00</u>	
<b>EXPENDITURES:</b>								
<b>Instruction:</b>								
100-100 Personal Services - Salaries	183,557.94	172,856.94	1,900.00	820.00	984.00		6,997.00	
100-500 Other Purchased Services (400-500 series)	237,783.00					237,783.00		
100-600 General Supplies	33,416.71	21,386.46	-	10,536.25	1,494.00			
<b>Total Instruction</b>	<u>454,757.65</u>	<u>194,243.40</u>	<u>1,900.00</u>	<u>11,356.25</u>	<u>2,478.00</u>	<u>237,783.00</u>	<u>6,997.00</u>	
<b>Support Services:</b>								
200-100 Personal Services - Salaries	9,633.00		8,300.00	1,333.00				
200-200 Personal Services - Employee Benefits	52,602.00	52,602.00						
200-320 Purchased Professional - Educational Services	1,100.00	1,100.00						
200-500 Other Purchased Services (400-500 series)	17,978.66	2,014.14	15,118.52	846.00				
200-600 Supplies and Materials	5,596.09	2,402.46	2,998.88	194.75				
200-800 Other Objects	50.00	-	-	50.00				
<b>Total Support Services</b>	<u>86,959.75</u>	<u>58,118.60</u>	<u>26,417.40</u>	<u>2,423.75</u>				
<b>Total Expenditures</b>	<u>\$ 541,717.40</u>	<u>\$ 252,362.00</u>	<u>\$ 28,317.40</u>	<u>\$ 13,780.00</u>	<u>\$ 2,478.00</u>	<u>\$ 237,783.00</u>	<u>\$ 6,997.00</u>	

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Special Revenue Fund  
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2017**

	<u>Total</u>	<u>Dunellen Education Foundation</u>	<u>Dreams Grant</u>	<u>NJSBAIG Grant</u>
<b>REVENUES</b>				
Local Sources	\$ 2,767.95	\$ 767.95	\$ 1,000.00	\$ 1,000.00
<b>Total Local Revenues</b>	<u>\$ 2,767.95</u>	<u>\$ 767.95</u>	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
General Supplies	100-600 \$ 2,767.95	\$ 767.95	\$ 1,000.00	\$ 1,000.00
<b>Total Instruction</b>	<u>2,767.95</u>	<u>767.95</u>	<u>1,000.00</u>	<u>1,000.00</u>
<b>Total Expenditures</b>	<u>\$ 2,767.95</u>	<u>\$ 767.95</u>	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis  
For the Year Ended June 30, 2017**

**REVENUES AND OTHER FINANCING SOURCES**

Miscellaneous Income - Prior Year Refund	\$ 5,205.00
Total Revenues	<u>\$ 5,205.00</u>

**EXPENDITURES AND OTHER FINANCING USES**

Construction Services (450)	\$ -
Total Expenditures	<u>\$ -</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 5,205.00
Fund Balance - July 1	<u>3,271.97</u>
Fund Balance - June 30	<u>\$ 8,476.97</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Dunellen High School**  
**From Inception and for the Year Ended June 30, 2017**

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Lincoln Middle School**  
**From Inception and for the Year Ended June 30, 2017**

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**John P. Faber Elementary School**  
**From Inception and for the Year Ended June 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SCC Grant	\$ 116,375.00	\$ -	\$ 116,375.00	\$ 116,375.00
Miscellaneous Income - Prior Year Refund		5,205.00	5,205.00	5,205.00
Transfer from Enterprise Fund	35,000.00	-	35,000.00	35,000.00
Transfer from Capital Reserve	218,465.19	-	218,465.19	218,465.19
Transfer from Maintenance Reserve	175,000.00	-	175,000.00	175,000.00
Total Revenues	<u>\$ 544,840.19</u>	<u>\$ 5,205.00</u>	<u>\$ 550,045.19</u>	<u>\$ 550,045.19</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Other Purchased Professional and Technical Services (390)	40,620.29	-	40,620.29	40,620.29
Construction Services (450)	500,947.93	-	500,947.93	509,424.90
Total Expenditures	<u>541,568.22</u>	<u>-</u>	<u>541,568.22</u>	<u>550,045.19</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,271.97</u>	<u>\$ 5,205.00</u>	<u>\$ 8,476.97</u>	<u>\$ -</u>
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	SP1140-040-14-1003			
Grant Date	4/23/2014			
Bond Authorization Date				
Bonds Authorized				
Bonds Issued				
Original Authorized Cost	\$ 488,061.14			
Additional Authorized Cost	\$ 56,779.05			
Revised Authorized Cost	\$ 488,061.14			
Percentage Increase over Original Authorized Cost	11.63%			
Percentage Completed	98.46%			
Original Target Completion Date	10/31/2014			
Revised Target Completion Date	12/31/2016			

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Capital Projects Fund  
Summary Statement of Project Expenditures  
For the Fiscal Year Ended June 30, 2017**

<u>Project Title/Issue</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2017</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Various Improvements:				
Dunellen High School	\$ 1,535,314.45	\$ 1,535,314.45	\$ -	\$ -
Lincoln Middle School	133,460.36	133,460.36	-	-
John P. Faber Elementary School	550,045.19	541,568.22	-	8,476.97
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,218,820.00</u>	<u>\$ 2,210,343.03</u>	<u>\$ -</u>	<u>\$ 8,476.97</u>



**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Student Activity Agency Fund  
Schedule of Receipts and Disbursements  
For the Fiscal Year Ended June 30, 2017**

<u>Schools</u>	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Faber School	\$ 9,026.99	\$ 13,765.24	\$ 13,846.34	\$ 8,945.89
Senior High School	120,898.21	176,014.40	176,403.79	120,508.82
Athletic Fund	<u>(525.30)</u>	<u>30,857.02</u>	<u>28,992.00</u>	<u>1,339.72</u>
	<u>\$ 129,399.90</u>	<u>\$ 220,636.66</u>	<u>\$ 219,242.13</u>	<u>\$ 130,794.43</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Payroll Agency Fund  
Schedule of Receipts and Disbursements  
For the Fiscal Year Ended June 30, 2017**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Payroll Deductions and Withholdings	\$ 4,813.98	\$ 5,096,276.61	\$ 5,035,117.62	\$ 65,972.97
Flexible Spending Account	4,333.98	11,340.30	7,261.19	8,413.09
Net Salaries and Wages	<u>9,610.61</u>	<u>6,006,475.74</u>	<u>6,007,175.64</u>	<u>8,910.71</u>
	<u>\$ 18,758.57</u>	<u>\$ 11,114,092.65</u>	<u>\$ 11,049,554.45</u>	<u>\$ 83,296.77</u>

**BOARD OF EDUCATION  
 BOROUGH OF DUNELLEN  
 Long - Term Debt  
 Schedule of Serial Bonds  
 For the Fiscal Year Ended June 30, 2017**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2017</u>		<u>Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds of 2012	12/12/2012	8,005,000.00	7/15/2017	\$ 455,000.00	3.00%	7,930,000.00	440,000.00	7,490,000.00
			7/15/2018	470,000.00	3.00%			
			7/15/2019	485,000.00	2.00%			
			7/15/2020	500,000.00	2.00%			
			7/15/2021	515,000.00	4.00%			
			7/15/2022	540,000.00	4.00%			
			7/15/2023	560,000.00	4.00%			
			7/15/2024	590,000.00	4.00%			
			7/15/2025	620,000.00	4.00%			
			7/15/2026	645,000.00	4.00%			
			7/15/2027	675,000.00	4.00%			
			7/15/2028	705,000.00	4.00%			
			7/15/2029	730,000.00	4.00%			
						-	-	-
						<u>\$ 7,930,000.00</u>	<u>\$ 440,000.00</u>	<u>\$ 7,490,000.00</u>

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN  
Budgetary Comparison Schedule  
Debt Service Fund  
For the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 717,250.00	\$ -	\$ 717,250.00	\$ 717,250.00	\$ -
<b>Total Revenues</b>	<u>717,250.00</u>		<u>717,250.00</u>	<u>717,250.00</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	277,250.00		277,250.00	277,250.00	-
Redemption of Principal	<u>440,000.00</u>		<u>440,000.00</u>	<u>440,000.00</u>	-
Total Regular Debt Service	<u>717,250.00</u>		<u>717,250.00</u>	<u>717,250.00</u>	-
<b>Total Expenditures</b>	<u>717,250.00</u>		<u>717,250.00</u>	<u>717,250.00</u>	-
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, July 1	<u>0.83</u>	<u>-</u>	<u>0.83</u>	<u>0.83</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 0.83</u>	<u>\$ -</u>	<u>\$ 0.83</u>	<u>\$ 0.83</u>	<u>\$ -</u>

## **STATISTICAL SECTION**

## OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit #

### **Financial Trends Information/Schedules**

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

### **Revenue Capacity Information**

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current year and nine years ago)
J-9	Property Tax Levies and Collections

### **Debt Capacity Information**

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

### **Demographic and Economic Information**

J-14	Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago

### **Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Allowable Maintenance Expenditures by School
J-20	Insurance Schedule

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 10,344,542.88	\$ 10,160,602.25	\$ 9,227,073.52	\$ 7,596,046.56	\$ 7,046,996.15	\$ 8,652,743.29	\$ 8,782,038.35	\$ 8,990,699.20	\$ 9,203,207.39	\$ 9,428,037.01
Restricted	813,504.74	554,621.75	1,229,722.52	1,586,519.87	1,256,964.88	1,041,703.10	460,281.67	261,925.40	194,083.84	(61,504.17)
Unrestricted	(4,267,757.27)	(3,703,157.78)	(3,426,160.45)	(622,456.79)	(525,903.06)	(483,386.10)	(402,669.14)	(395,258.46)	(398,463.95)	(80,991.84)
Total Governmental Activities Net Position	\$ 6,890,290.35	\$ 7,012,066.22	\$ 7,030,635.59	\$ 8,560,109.64	\$ 7,778,057.97	\$ 9,211,060.29	\$ 8,839,650.88	\$ 8,857,366.14	\$ 8,996,827.28	\$ 9,285,541.00
<b>Business-type activities</b>										
Net Investment in Capital Assets	\$ 63,189.70	\$ 93,101.66	\$ 63,223.76	\$ 31,007.72	\$ 6,850.00	\$ 9,843.89	\$ 5,351.74	\$ 6,696.09	\$ 8,040.44	\$ 9,384.69
Unrestricted	163,626.00	(14,925.13)	31,327.68	93,057.40	205,882.24	160,748.31	114,468.96	101,851.72	71,404.25	31,558.81
Total Business-Type Activities Net Position	\$ 226,815.70	\$ 78,176.53	\$ 94,551.44	\$ 124,065.12	\$ 212,732.24	\$ 170,592.20	\$ 119,820.70	\$ 108,547.81	\$ 79,444.69	\$ 40,943.50
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 10,407,732.58	\$ 10,253,703.91	\$ 9,290,297.28	\$ 7,627,054.28	\$ 7,053,846.15	\$ 8,662,587.18	\$ 8,787,390.09	\$ 8,997,395.29	\$ 9,211,247.83	\$ 9,437,421.70
Restricted	813,504.74	554,621.75	1,229,722.52	1,586,519.87	1,256,964.88	1,041,703.10	460,281.67	261,925.40	194,083.84	(61,504.17)
Unrestricted	(4,104,131.27)	(3,718,082.91)	(3,394,832.77)	(529,399.39)	(320,020.82)	(322,637.79)	(288,200.18)	(293,406.74)	(327,059.70)	(49,433.03)
Total District Net Position	\$ 7,117,106.05	\$ 7,090,242.75	\$ 7,125,187.03	\$ 8,684,174.76	\$ 7,990,790.21	\$ 9,381,652.49	\$ 8,959,471.58	\$ 8,965,913.95	\$ 9,078,271.97	\$ 9,326,484.50

Source: District Records

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
Governmental Activities										
Instruction										
Regular	\$ 9,096,544.45	\$ 9,257,507.08	\$ 7,843,983.68	\$ 7,248,614.68	\$ 7,068,515.84	\$ 7,430,285.05	\$ 7,170,791.21	\$ 7,131,892.22	\$ 6,817,572.73	\$ 7,053,365.91
Special Education	2,385,208.89	2,273,919.83	1,903,322.00	1,798,815.63	1,680,494.12	1,535,806.49	1,638,542.58	2,093,027.61	1,801,300.37	1,638,862.30
Other Instruction	1,012,422.87	897,046.87	897,181.34	655,042.46	691,001.88	620,691.58	583,818.23	612,702.37	607,961.27	599,038.58
Support Services:										
Tuition	884,397.80	1,047,738.06	1,059,861.89	941,609.14	1,261,365.75	1,189,457.15	1,040,496.07	1,074,639.63	863,478.74	674,718.18
Student and Instruction Related Services	2,849,075.86	3,027,680.69	2,437,944.86	2,398,008.30	1,982,426.81	1,757,926.67	1,866,129.97	1,849,549.42	1,690,952.41	1,580,685.03
School Administrative Services	1,269,300.37	1,170,751.91	1,101,739.09	1,153,602.71	913,123.06	1,001,478.46	950,705.35	956,704.80	946,390.70	856,974.53
General and Business Administrative Services	1,455,852.00	1,377,897.67	1,229,543.08	938,388.95	1,126,719.81	874,986.54	816,683.62	865,221.76	828,056.43	818,251.90
Plant Operations and Maintenance	1,632,889.78	1,399,567.46	1,339,699.50	1,215,452.33	1,402,989.42	1,335,684.23	1,380,279.25	1,288,643.80	1,497,595.00	1,519,344.60
Pupil Transportation	534,131.88	538,841.75	464,989.22	410,691.07	491,204.88	450,434.30	465,087.66	461,997.15	397,312.86	346,994.53
Special Schools	1,849,963.82	32,564.00	15,151.00	18,250.00	25,333.15	7,109.00	7,109.00	-	7,484.00	587,119.38
Charter Schools	51,716.00	286,414.58	304,992.08	344,834.39	255,208.27	460,674.80	494,698.23	560,559.81	556,239.39	-
Interest on Long-Term Debt	273,075.00	-	-	-	130,000.00	-	-	-	-	-
Debt Service-Other Charges	-	-	-	-	-	-	-	-	-	-
Debt Service Assessment	61,602.00	61,602.00	61,602.00	61,602.00	39,951.00	29,110.00	16,414,281.17	16,894,938.57	16,016,343.90	15,675,354.94
Total Governmental Activities Expenses	23,366,180.52	21,371,531.90	18,660,019.74	17,184,911.66	17,068,333.99	16,686,547.27	16,414,281.17	16,894,938.57	16,016,343.90	15,675,354.94
Business-Type Activities:										
Food Service	608,479.60	581,154.99	482,100.36	457,072.44	441,743.89	435,525.76	415,164.23	422,952.97	375,736.05	418,836.83
Preschool Program	337,306.87	-	-	-	-	-	-	-	-	-
After Care Program	186,059.81	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expense	1,131,846.28	581,154.99	482,100.36	457,072.44	441,743.89	435,525.76	415,164.23	422,952.97	375,736.05	418,836.83
Total District-Wide Expenses	24,498,026.80	21,952,686.89	19,142,120.10	17,641,984.10	17,510,077.88	17,122,073.03	16,829,445.40	17,317,891.54	16,392,079.95	16,094,191.77
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	66,787.50	69,268.20	52,971.00	52,744.92	53,669.13	50,280.42	58,656.20	3,010,279.09	2,619,001.88	3,313,439.49
Operating Grants and Contributions	7,969,847.51	4,090,750.25	4,109,327.75	3,043,708.02	3,013,279.53	2,873,889.12	2,551,155.98	3,010,279.09	2,619,001.88	3,313,439.49
Total Governmental Activities Program Revenues	8,036,635.01	4,160,018.45	4,162,298.75	3,096,452.94	3,066,948.66	2,924,169.54	2,609,812.18	3,010,279.09	2,619,001.88	3,313,439.49



BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Business-Type Activities:</b>										
Charges for Services	\$ 284,599.16	\$ 223,923.83	\$ 214,857.79	\$ 211,048.18	\$ 221,732.51	\$ 216,232.57	\$ 243,177.38	\$ 244,857.78	\$ 274,373.60	\$ 263,150.79
Food Service	453,795.00									
Preschool Program	192,887.51									
After Care Program	349,203.78	278,662.85	278,547.53	270,259.64	264,564.75	210,204.55	208,878.71	169,379.46	149,977.25	143,930.29
Operating Grants and Contributions	1,280,485.45	502,586.68	493,405.32	481,307.82	486,297.26	426,437.12	452,056.09	414,237.24	424,350.85	407,081.08
Total Business-Type Activities Program Revenues	9,317,120.46	4,664,885.43	3,589,858.26	3,548,256.48	3,410,466.80	3,036,249.30	3,462,335.18	3,033,239.12	3,737,790.34	3,701,633.75
Total District-Wide Program Revenues										
<b>Net (Expense)/Revenue</b>	(15,319,545.51)	(14,497,720.99)	(14,088,456.72)	(14,001,385.33)	(13,762,377.73)	(13,804,468.99)	(13,884,659.48)	(13,397,342.02)	(12,361,915.45)	(11,769,059.32)
Governmental Activities	148,639.17	20,486.32	36,332.86	39,563.93	50,771.50	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91
Business-Type Activities	(15,170,906.34)	(14,477,234.67)	(14,052,125.84)	(13,961,821.40)	(13,711,606.23)	(13,793,196.10)	(13,855,556.36)	(13,358,840.83)	(12,356,401.43)	(11,759,481.41)
Total District-Wide Net Expense										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	10,249,324.00	9,289,944.00	9,107,789.00	8,929,205.00	8,754,123.00	8,543,395.00	8,354,094.00	8,126,326.00	8,022,126.00	7,868,256.00
Property Taxes, Levied for Debt Service Principal	446,050.00	783,096.82	685,263.63	789,180.73	614,944.20	549,401.77	466,244.78	430,663.61	415,958.62	346,599.99
Federal and State Aid not Restricted	4,434,086.99	5,503,013.09	4,882,144.57	4,752,198.55	4,692,919.60	4,638,896.32	4,808,702.52	4,434,649.07	3,639,956.44	3,429,830.36
Tuition (Other Than Special Schools)	-	-	-	-	-	-	45,321.83	-	-	-
Investment Earnings	-	-	-	3,294.11	4,636.01	5,302.07	7,672.37	13,877.40	24,603.05	31,867.93
Miscellaneous Income	68,308.65	60,912.93	30,362.19	24,490.16	67,166.33	49,756.57	61,162.85	105,112.22	40,061.69	8,542.64
Special Item - Adjustment to Capital Assets	-	-	39,951.00	-	-	-	-	-	-	-
Transfers	-	50,000.00	125,000.00	-	-	-	-	-	-	-
Total Governmental Activities	15,197,769.64	15,686,966.94	14,870,510.39	14,508,368.55	14,133,789.14	13,786,751.73	13,743,198.35	13,110,628.30	12,142,705.80	11,485,096.92
Business-Type Activities:										
Transfers	-	(50,000.00)	(125,000.00)	-	-	-	-	-	-	-
Total Business-Type Activities	-	(50,000.00)	(125,000.00)	-	-	-	-	-	-	-
Total District-Wide General Revenues	15,197,769.64	15,636,966.94	14,745,510.39	14,508,368.55	14,133,789.14	13,786,751.73	13,743,198.35	13,110,628.30	12,142,705.80	11,485,096.92
<b>Change in Net Position</b>	(121,775.87)	1,189,245.95	782,051.67	506,983.22	371,411.41	(17,717.26)	(141,461.13)	(286,713.72)	(219,209.65)	(283,962.40)
Governmental Activities	148,639.17	(29,513.68)	(88,667.12)	39,563.93	50,771.50	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91
Business-Type Activities	26,863.30	1,159,732.27	693,384.55	546,547.15	422,182.91	(6,444.37)	(112,358.01)	(248,212.53)	(224,723.67)	(293,534.31)
Total District-Wide Change in Net Position	\$ 26,863.30	\$ 1,159,732.27	\$ 693,384.55	\$ 546,547.15	\$ 422,182.91	\$ (6,444.37)	\$ (112,358.01)	\$ (248,212.53)	\$ (224,723.67)	\$ (293,534.31)

Source: District Records

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,041,702.52	\$ 460,280.58	\$ 497,051.01	\$ 408,490.63	\$ 162,785.21
Unreserved	-	-	-	-	-	(106,241.88)	(37,567.55)	(199,768.29)	(203,683.12)	70,113.16
Restricted	400,000.00	150,000.00	583,291.41	1,231,757.41	1,020,893.50					
Assigned	405,026.94	401,348.95	252,099.80	285,952.52	207,587.80					
Unassigned	(250,215.09)	(176,579.29)	(284,536.07)	(175,195.31)	(172,088.81)					
<b>Total General Fund</b>	<b>\$ 554,811.85</b>	<b>\$ 372,769.66</b>	<b>\$ 550,855.14</b>	<b>\$ 1,342,514.62</b>	<b>\$ 1,056,392.49</b>	<b>\$ 935,460.64</b>	<b>\$ 422,713.03</b>	<b>\$ 297,282.72</b>	<b>\$ 204,807.51</b>	<b>\$ 232,898.37</b>
<b>All Other Governmental Funds</b>										
Unreserved, Reported In:										
Special Revenue Fund										(2,747.85)
Capital Projects Fund										4,630.87
Debt Service Fund						0.58	1.09	1.10	0.87	0.87
Restricted, Reported In:										
Capital Projects Fund	8,476.97	3,271.97	394,330.48	55,000.01	28,483.58					
Debt Service Fund	0.83	0.83	0.83	0.83						
Assigned, Reported In:										
Capital Projects Fund										
Total all Other Governmental Funds	<b>\$ 8,477.80</b>	<b>\$ 3,272.80</b>	<b>\$ 394,331.31</b>	<b>\$ 68,809.94</b>	<b>\$ 28,483.58</b>	<b>\$ 0.58</b>	<b>\$ 1.09</b>	<b>\$ 1.10</b>	<b>\$ 0.87</b>	<b>\$ 1,883.89</b>
<b>Total Fund Balances</b>	<b>\$ 563,289.65</b>	<b>\$ 376,042.46</b>	<b>\$ 945,186.45</b>	<b>\$ 1,411,324.56</b>	<b>\$ 1,084,876.07</b>	<b>\$ 935,461.22</b>	<b>\$ 422,714.12</b>	<b>\$ 297,283.82</b>	<b>\$ 204,808.38</b>	<b>\$ 234,782.26</b>

Source: District Records

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Tax Levy	\$ 10,966,574.00	\$ 10,643,673.00	\$ 10,376,158.00	\$ 10,136,012.00	\$ 9,981,719.00	\$ 9,829,742.00	\$ 9,587,495.00	\$ 9,380,899.00	\$ 9,115,229.00	\$ 9,025,204.00
Tuition Charges	66,787.50	69,268.20	52,971.00	52,744.92	18,975.00	50,280.42	58,656.20	45,321.83	-	-
Preschool Fees	-	-	-	-	34,694.13	4,636.01	5,302.07	7,672.37	13,877.40	24,603.05
Interest Earnings	68,308.65	100,114.31	60,912.93	30,362.19	43,580.63	67,166.33	49,756.57	61,162.85	105,112.22	57,106.95
Miscellaneous	7,467,746.16	7,268,684.96	7,675,392.44	6,890,539.75	6,905,989.53	6,389,381.92	6,055,624.61	5,707,717.68	6,022,016.10	5,870,420.37
State Sources	563,108.34	569,276.06	577,233.32	692,353.47	587,064.81	716,752.00	639,729.46	1,550,703.71	473,395.46	478,810.92
Federal Sources	19,132,524.65	18,681,016.53	18,742,667.69	17,802,012.33	17,575,317.21	17,057,958.68	16,396,563.91	16,753,477.44	15,729,630.18	15,456,145.29
<b>Total revenues</b>										
	19,945,277.46	19,250,160.52	19,258,805.80	17,600,563.84	18,336,034.81	16,545,211.58	16,271,133.61	16,661,001.99	15,759,604.07	15,701,760.00
<b>Expenditures</b>										
Instruction										
Regular Instruction	5,027,476.79	5,042,670.15	5,018,078.90	4,944,335.30	4,935,460.31	4,673,148.95	4,563,906.63	4,589,422.37	4,434,751.74	4,390,892.03
Special Education Instruction	1,605,807.29	1,337,392.38	1,290,653.63	1,307,406.82	1,248,223.94	1,111,537.74	1,214,298.27	1,678,213.32	1,400,082.67	1,188,899.68
Other Instruction	605,155.06	526,119.03	593,716.53	558,028.29	505,186.04	468,395.06	501,435.78	530,744.87	466,007.68	444,098.90
Support Services:										
Tuition	884,397.80	1,047,738.06	1,059,861.89	941,609.14	1,261,365.75	1,189,457.15	1,040,496.07	1,074,639.63	863,478.74	674,718.18
Student and Instruction Related Services	1,770,676.59	1,815,612.30	1,682,055.61	1,721,585.88	1,488,089.59	1,328,668.33	1,376,199.68	1,366,656.24	1,317,610.42	1,180,307.53
School Administrative Services	714,013.50	629,052.80	623,873.96	640,800.71	652,090.25	714,349.63	697,583.86	703,173.41	668,850.87	584,348.33
General and Business Administrative Services	979,750.19	893,097.17	897,591.68	784,277.03	670,763.97	663,488.88	648,880.93	682,531.42	657,153.55	617,314.75
Plant Operations and Maintenance	1,220,879.85	1,281,952.66	1,253,184.99	1,195,269.16	1,263,242.63	1,258,781.07	1,279,871.73	1,242,528.59	1,443,868.08	1,463,997.47
Pupil Transportation	534,131.88	538,841.75	464,999.22	408,196.03	486,423.17	444,566.86	459,206.01	456,695.93	392,358.58	342,256.82
Employee Benefits	4,517,526.54	4,321,119.71	3,876,767.76	3,712,487.48	3,617,745.68	3,350,077.40	3,171,078.44	3,047,740.21	2,801,585.24	3,210,600.73
Charter Schools	51,716.00	32,564.00	15,151.00	18,250.00	25,333.15	-	7,109.00	-	7,484.00	340,228.07
Capital Outlay	254,894.97	1,010,273.51	1,143,878.63	77,672.25	2,795.00	33,313.00	7,768.00	8,815.24	61,367.49	-
Capital Outlay-Debt Service Assessment	61,602.00	61,602.00	61,602.00	61,602.00	39,951.00	29,110.00	50,056.00	-	-	-
Debt Service:										
Principal	440,000.00	420,000.00	955,000.00	890,000.00	810,000.00	805,000.00	745,000.00	740,000.00	675,000.00	665,000.00
Interest and Other Charges	277,250.00	292,125.00	320,390.00	359,043.75	289,231.88	475,317.51	508,243.01	539,840.76	570,005.01	599,097.51
Bond Issuance Costs	-	-	-	-	100,840.80	-	-	-	-	-
Advance to Refunding Escrow	-	-	-	-	809,291.65	-	-	-	-	-
Escrow Interest-2012 Refunding	-	-	-	-	130,000.00	-	-	-	-	-
<b>Total Expenditures</b>										
	18,945,277.46	19,250,160.52	19,258,805.80	17,600,563.84	18,336,034.81	16,545,211.58	16,271,133.61	16,661,001.99	15,759,604.07	15,701,760.00
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>										
	187,247.19	(569,143.99)	(516,138.11)	201,448.49	(760,717.60)	512,747.10	125,430.30	92,475.45	(29,973.89)	(245,614.71)

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Other Financing Sources (uses)</b>										
Payment to Refunded Bond Escrow Agent	\$ -	\$ -	\$ -	\$ -	\$ (7,975,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Refunded Bonds Issued	-	-	-	-	8,005,000.00	-	-	-	-	-
Premium Issued	-	-	-	-	880,132.45	-	-	-	-	-
Transfers In	-	619,215.00	910,385.00	125,000.00	-	-	-	-	-	12,191.68
Transfers Out	-	(619,215.00)	(860,385.00)	-	-	-	-	-	-	(12,191.68)
<b>Total Other Financing Sources (Uses)</b>	-	-	50,000.00	125,000.00	910,132.45	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 187,247.19</b>	<b>\$ (569,143.99)</b>	<b>\$ (466,138.11)</b>	<b>\$ 326,448.49</b>	<b>\$ 149,414.85</b>	<b>\$ 512,747.10</b>	<b>\$ 125,430.30</b>	<b>\$ 92,475.45</b>	<b>\$ (29,973.89)</b>	<b>\$ (245,614.71)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>3.84%</b>	<b>3.90%</b>	<b>7.04%</b>	<b>7.13%</b>	<b>6.00%</b>	<b>7.75%</b>	<b>7.71%</b>	<b>7.69%</b>	<b>7.93%</b>	<b>8.23%</b>

Source: District Records

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

Fiscal Year Ending June 30,	Annual Totals	Tuition	Prior Year		Interest	Miscellaneous
			Refunds			
2008	\$ 81,710.00				\$ 24,603.05	\$ 57,106.95
2009	118,989.62				13,877.40	105,112.22
2010	114,157.05	45,321.83			7,672.37	61,162.85
2011	82,700.17	58,656.20	14,267.18		5,302.07	4,474.72
2012	94,261.13	50,280.42	30,582.77		4,636.01	8,761.93
2013	40,110.39	18,975.00			3,294.11	17,841.28
2014	73,135.81	52,744.92	9,935.37		3,098.35	7,357.17
2015	103,900.69	52,971.00	24,244.79		2,712.79	23,972.11
2016	166,095.51	69,268.20	28,382.32		1,838.53	66,606.46
2017	127,123.20	66,787.50				60,335.70

Source: District Records

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

Fiscal Year Ended December 31,	Assessed Value										Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value							
2007	528,200	124,002,800		13,755,800	3,669,600	1,448,500	143,404,900	646,200	144,051,100	640,684,705	6.137			
2008	629,000	124,392,000		13,452,550	3,374,700	1,623,800	143,472,050	594,075	144,066,125	650,483,881	6.295			
2009	508,300	124,775,150		13,701,800	3,374,700	1,623,800	143,983,750	620,077	144,603,827	724,000,200	6.395			
2010	437,600	124,963,050		13,521,700	3,597,200	1,623,800	144,143,350	659,819	144,803,169	680,482,726	6.550			
2011	459,900	124,839,650		14,039,300	3,136,300	1,623,800	144,098,950	672,862	144,771,812	643,137,863	6.706			
2012	459,900	125,004,750		14,136,300	3,136,300	1,585,800	144,323,050	729,187	145,052,237	626,388,719	6.830			
2013	682,300	124,567,150		14,244,100	3,136,300	1,514,200	144,144,050	26	144,144,076	569,449,462	6.979			
2014	664,000	124,540,800		14,292,400	3,136,300	1,514,200	144,147,700	26	144,147,726	553,084,033	7.115			
2015	581,200	124,891,400		14,232,100	3,136,300	1,514,200	144,355,200	26	144,355,226	568,041,053	7.281			
2016	566,500	125,040,800		14,073,200	3,136,300	1,514,200	144,331,000	25	144,331,025	593,466,308				

Source: Municipal Tax Assessor

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County		
2006	4.881	0.862	5.743	2.370	1.197	9.310	
2007	5.283	0.854	6.137	2.873	1.300	10.310	
2008	5.418	0.877	6.295	2.992	1.441	10.728	
2009	5.521	0.874	6.395	3.011	1.477	10.883	
2010	5.835	0.715	6.550	3.350	1.397	11.297	
2011	5.840	0.866	6.706	3.537	1.364	11.607	
2012	6.082	0.748	6.830	3.455	1.486	11.771	
2013	6.243	0.736	6.979	3.280	1.512	11.771	
2014	6.368	0.747	7.115	3.278	1.525	11.918	
2015	7.220	0.061	7.281	3.331	1.564	12.176	
2016	7.434	0.052	7.486	3.389	1.612	12.487	

**Source: Municipal Tax Collector**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

Fiscal Year Ended June 30,	2017		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Dunellen Associates	\$ 2,100,000	1.45%	\$ 2,100,000	1.47%
Provident Savings Bank	404,400	0.28%	594,000	0.42%
Verizon	309,000	0.21%		0.00%
Sunrise Industries	400,000	0.28%	453,000	0.32%
Retail Development Assoc.	401,600	0.28%	401,600	0.28%
A & M Gardens, Inc.	375,000	0.26%	375,000	0.26%
UMI Enterprises	374,000	0.26%	400,000	0.28%
Friend Well Plaza	855,100	0.59%		0.00%
Valstir, LLC		0.00%	300,000	0.21%
Peter J. Riccio	322,000	0.22%	322,000	0.23%
Summit Federal Savings	236,000	0.16%		0.00%
Ronald Papieo	309,000	0.21%	309,000	0.22%
Petra Heleniak	300,800	0.21%	300,800	0.21%
Sumo Real Estate Holding	300,000	0.21%		0.00%
<b>Total</b>	<b>\$ 6,686,900</b>	<b>4.63%</b>	<b>\$ 5,555,400</b>	<b>3.89%</b>

**Source: Municipal Tax Assessor**



**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

**Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	9,025,204	9,025,204	100.00%		9,025,204	100.00%
2009	9,115,229	9,115,229	100.00%		9,115,229	100.00%
2010	9,380,899	9,380,899	100.00%		9,380,899	100.00%
2011	9,587,495	9,587,495	100.00%		9,587,495	100.00%
2012	9,829,742	9,829,742	100.00%		9,829,742	100.00%
2013	9,981,719	9,981,719	100.00%		9,981,719	100.00%
2014	10,136,012	10,136,012	100.00%		10,136,012	100.00%
2015	10,376,158	10,376,158	100.00%		10,376,158	100.00%
2016	10,643,673	10,643,673	100.00%		10,643,673	100.00%
2017	10,966,574	10,966,574	100.00%		10,966,574	100.00%

**Source: Municipal Tax Collector**

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities	Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases				
2008	\$ 13,940,000				\$ 13,940,000	4.15%	2,001
2009	13,265,000				13,265,000	4.09%	1,874
2010	12,525,000				12,525,000	3.72%	1,732
2011	11,780,000				11,780,000	3.32%	1,621
2012	10,975,000				10,975,000	2.99%	1,501
2013	10,195,000				10,195,000	2.76%	1,387
2014	9,305,000				9,305,000	2.40%	1,261
2015	8,885,000				8,885,000	2.25%	1,203
2016	7,930,000				7,930,000	2.01%	1,075
2017	7,490,000				7,490,000	1.90%	1,016

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2008	13,940,000	13,940,000	9.68%	2,001
2009	13,265,000	13,265,000	9.17%	1,874
2010	12,525,000	12,525,000	8.65%	1,732
2011	11,780,000	11,780,000	8.14%	1,621
2012	10,975,000	10,975,000	7.57%	1,501
2013	10,195,000	10,195,000	7.07%	1,387
2014	9,305,000	9,305,000	6.46%	1,261
2015	8,350,000	8,350,000	5.78%	1,130
2016	7,930,000	7,930,000	5.49%	1,075
2017	7,490,000	7,490,000	5.19%	1,016

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2016  
Unaudited**

Net Direct Debt of School District as of December 31, 2016	\$ 7,490,000.00
Net Overlapping Debt of School District: Borough of Dunellen (100%)	\$ 6,258,819.13
County of Middlesex - Borough's share (.5779%)	2,964,420.78
Middlesex County Improvement Authority (.5779%)	<u>1,794,539.60</u>
	<u>11,017,779.50</u>
Total Direct and Overlapping Debt as of December 31, 2016	<u>\$ 18,507,779.50</u>

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

**Legal Debt Margin Calculation for Fiscal Year 2016**

Equalized Valuation Basis	
2014	560,449,844.00
2015	586,571,312.00
2016	582,300,208.00
	<u>\$ 1,729,321,364.00</u>
Average Equalized Valuation of Taxable Property	<u>\$ 576,440,454.67</u>
Debt Limit (4 % of \$576,440,454.67)	\$ 23,057,618.19
Total Net Debt Applicable to Limit	<u>7,490,000.00</u>
Legal Debt Margin	<u>\$ 15,567,618.19</u>

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 25,306,256.67	\$ 23,883,355.89	\$ 22,711,681.48	\$ 23,057,618.19	\$ 23,057,618.19
Total Net Debt Applicable to Limit	<u>11,780,000.00</u>	<u>10,195,000.00</u>	<u>9,305,000.00</u>	<u>7,930,000.00</u>	<u>7,490,000.00</u>
Legal Debt Margin	<u>13,526,256.67</u>	<u>13,688,355.89</u>	<u>13,406,681.48</u>	<u>15,127,618.19</u>	<u>15,567,618.19</u>

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	46.55%	42.69%	40.97%	34.39%	32.48%
---	--------	--------	--------	--------	--------

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 22,773,996.76	\$ 25,665,364.43	\$ 27,503,532.80	\$ 27,893,497.59	\$ 26,837,484.45
Total Net Debt Applicable to Limit	<u>14,605,000.00</u>	<u>13,940,000.00</u>	<u>13,265,000.00</u>	<u>12,525,000.00</u>	<u>11,780,000.00</u>
Legal Debt Margin	<u>8,168,996.76</u>	<u>11,725,364.43</u>	<u>14,238,532.80</u>	<u>15,368,497.59</u>	<u>15,057,484.45</u>

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	64.13%	54.31%	48.23%	44.90%	43.89%
---	--------	--------	--------	--------	--------

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	6,891	\$ 320,562,429	\$ 46,519	6.30%
2008	6,966	336,095,568	48,248	8.40%
2009	7,080	324,469,320	45,829	12.90%
2010	7,231	336,762,132	46,572	12.90%
2011	7,267	355,232,761	48,883	12.50%
2012	7,310	367,407,910	50,261	12.70%
2013	7,349	369,412,183	50,267	3.70%
2014	7,381	387,399,166	52,486	3.70%
2015	7,387	395,204,500	53,500	4.90%
2016	7,374	394,516,374	53,501 (E)	4.30%

(E) Estimate

**Sources:**

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

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

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

**NOT AVAILABLE**

BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction	94	94	80	80	83	83	83	83	83	83
Regular	19	19	23	23	25	26	26	27	28	29
Special Education	6	6	9.3	9.3	9.3	9.3	10.3	10.3	10.3	10.3
Other Instruction	5	5	2	2	2	2	2	2	3	3
School Sponsored/Other Instructional										
Support Services:										
Tuition	0	0	0	0	0	0	0	0	0	0
Student and Instruction Related Services	19	19	12	12	12	12	12	12	12	13
School Administrative Services	12	12	11.5	11.5	11.5	11.5	11.5	12.5	12.5	12.5
General and Business Administrative Services	6	6	2	2	2	2	2	2	2	2
Central Services			4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Administrative Information Technology			2	2	2	2	2	2	2	2
Plant Operations and Maintenance	2	2	1	1	1	1	1	1	16	16
Pupil Transportation										
Special Schools										
Food Service										
Total	<u>163</u>	<u>163</u>	<u>147.4</u>	<u>147.4</u>	<u>152.4</u>	<u>153.4</u>	<u>154.4</u>	<u>156.4</u>	<u>173.4</u>	<u>175.4</u>

Source: District Personnel Records



BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2008	1090.0	14,097,434	12,933	3.53%	110	1:13	1:19	1:15	1088.8	1,034.9	1.12%	95.05%
2009	1101.0	14,453,232	13,127	1.50%	112	1:13	1:19	1:15	1103.8	1,051.3	1.38%	95.24%
2010	1152.5	15,372,346	13,338	1.61%	108	1:10	1:13.4	1:09	1120.6	1,066.5	1.52%	95.17%
2011	1131.0	14,960,067	13,227	-0.83%	108	1:11.2	1:15.3	1:13.5	1109.4	1,056.6	-1.00%	95.24%
2012	1176.5	15,202,471	12,922	-2.31%	106	1:12.4	1:12.4	1:12.4	1152.2	1,096.8	3.86%	95.19%
2013	1179.0	16,150,924	13,699	6.01%	107	1:12	1:12	1:12	1144.4	1,088.8	-0.68%	95.14%
2014	1168.0	16,212,246	13,880	1.33%	108	1:12	1:12	1:12	1150.6	1,091.6	0.54%	94.87%
2015	1155.0	16,777,935	14,526	4.65%	109	1:12	1:12	1:12	1158.9	1,102.3	0.72%	95.12%
2016	1127.0	17,466,160	15,498	6.69%	110	1:12	1:12	1:12	1127.0	1,087.6	-2.75%	96.50%
2017	1187.0	17,911,530	15,090	-2.63%	110	1:12	1:12	1:12	1187.0	1,089.9	5.32%	91.82%

Source: District records

Note: Enrollment based on annual October district count.

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

**School Building Information  
Last Ten Fiscal Years  
Unaudited**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Elementary</u>										
John P. Faber										
Square Feet	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961	77,961
Capacity (students)	610	610	610	610	610	610	610	610	610	610
Enrollment	520	523	562	560	570	546	551	556	512	512
<u>Middle School</u>										
Lincoln Middle School										
Square Feet	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248	26,248
Capacity (students)	301	301	301	301	301	301	301	301	301	301
Enrollment	258	273	258	260	259	277	277	280	289	289
<u>High School</u>										
Dunellen High School										
Square Feet	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881	81,881
Capacity (students)	432	432	432	432	432	432	432	432	432	432
Enrollment	318	304	320	303	332	322	323	319	345	345

Number of Schools at June 30, 2016  
 Elementary = 1  
 Middle School = 1  
 Senior High School = 1

**Source: District Facilities Office**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

**General Fund  
Schedule of Required Maintenance for School Facilities  
Last Ten Fiscal Years  
Unaudited**

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

*School Facility	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Dunellen High School	\$ 132,964	\$ 96,805	\$ 63,792	\$ 70,372	\$ 79,842	\$ 84,222	\$ 87,163	\$ 64,476	\$ 79,654	\$ 75,456
John P. Faber School	126,598	92,405	60,892	67,173	76,213	80,394	83,200	61,545	76,033	72,026
Lincoln Middle School	42,623	30,802	20,297	22,391	25,404	26,798	27,733	20,515	25,344	24,008
<b>Total School Facilities</b>	<b>\$ 302,186</b>	<b>\$ 220,012</b>	<b>\$ 144,981</b>	<b>\$ 159,936</b>	<b>\$ 181,459</b>	<b>\$ 191,414</b>	<b>\$ 198,096</b>	<b>\$ 146,536</b>	<b>\$ 181,031</b>	<b>\$ 171,490</b>

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

**Source: District Records**

**BOARD OF EDUCATION  
BOROUGH OF DUNELLEN**

**Insurance Schedule  
As of June 30, 2017  
Unaudited**

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Educational Risk and Insurance Consortium - North		
Property - Blanket Building & Contents	\$ 500,000,000.00	\$ 5,000.00
Environmental	1,000,000.00	25,000.00
Crisis Management	1,000,000.00	
Beazley Breach Response Sevices	1,000,000.00	
Extra Expense	50,000,000.00	5,000.00
Valuable Papers	10,000,000.00	5,000.00
Comprehensive General Liability	6,000,000.00	
Comprehensive Automotive Liability	6,000,000.00	
Comprehensive		1,000.00
Collision		1,000.00
Computer & Scheduled Equipment	1,000,000.00	5,000.00
Equipment Breakdown	100,000,000.00	1,000.00
School Leaders Errors and Omissions Liability	5,000,000.00	5,000.00
Workers Compensation:		
Employers Liability Insurance		
Bodily Injury by Accident	2,000,000.00	each accident
Bodily Injury by Disease	2,000,000.00	each employee
Bodily Injury by Disease	2,000,000.00	policy limit
Faithful Performance Bond	25,000.00	500.00
Money & Securities	10,000.00	500.00
Money Orders/Counterfeit	10,000.00	500.00

Source: District Records

## **SINGLE AUDIT SECTION**

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, N.J. 07442  
973 835-7900  
Fax 973 835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973 579-3212  
Fax 973 579-7128

---

Vincent M. Montanino, RMA, PSA

K-1  
Page 1 of 2

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Dunellen School District, in the County of Middlesex, New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 5, 2017.

### *Internal Control Over Financial Reporting*

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

***Purpose of this Report***

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



Vincent M. Montanino  
Licensed Public School Accountant  
No. 20CS000495

*Ferraioli, Wielkottz, Cerullo & Cuva, P.A.*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

December 5, 2017



# Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkocz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, N.J. 07442  
973 835-7900  
Fax 973 835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973 579-3212  
Fax 973 579-7128

---

Vincent M. Montanino, RMA, PSA

K-2  
Page 1 of 3

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY'S OMB CIRCULAR 15-08

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

### Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Dunellen School District in the County of Middlesex, New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplements* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Borough of Dunellen Board of Education's major federal and state programs for the year ended June 30, 2017. The Borough of Dunellen 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 laws, regulations, contracts, and grants applicable to its federal and state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Dunellen 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Those statutes, the Uniform Guidance and N.J. OMB 15-08 require that we plan and perform





the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Dunellen 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 Borough of Dunellen Board of Education's compliance.

#### ***Opinion on Each Major Federal and State Program***

In our opinion, the Borough of Dunellen 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 year ended June 30, 2017.

#### **Report on Internal Control Over Compliance**

Management of the Borough of Dunellen 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 Borough of Dunellen Board of Education's internal control over compliance with the type 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 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 Borough of Dunellen 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 and 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 and 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Vincent M. Montanino  
Licensed Public School Accountant  
No. 20CS000495

*Ferraioli, Wielkottz, Cerullo & Cuva, P.A.*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

December 5, 2017



BOARD OF EDUCATION  
BOROUGH OF DUNELLEN

Schedule of Expenditures of Federal Awards, Schedule A  
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2016	Adjustments	Cash Received	Total Budgetary Expenditures	Accounts Receivable	Balance June 30, 2017 Deferred Revenue	Due to Grantor
U.S. Department of Health & Human Services:												
Child Care and Development Fund	93.596	1705NJ5MAP	N/A	7/1/16-6/30/17	\$ 1,028.90	\$ -	\$ -	\$ -	(1,028.90)	(1,028.90)	\$ -	\$ -
Medicaid Reimbursement	93.778	1605NJ5MAP	N/A	7/1/16-6/30/17	21,390.94	(12,698.13)	-	21,390.94	(21,390.94)	-	-	-
Medicaid Reimbursement	93.778	1605NJ5MAP	N/A	7/1/15-6/30/16	39,377.06	(12,698.13)	-	12,698.13	(22,419.84)	(1,028.90)	-	-
Total U.S. Department of Treasury								34,089.07	(22,419.84)	(1,028.90)	-	-
U.S. Department of Agriculture Passed - Through State Department of Education:												
Food Distribution Program	10.550	N/A	N/A	7/1/16-6/30/17	41,266.12	2,292.40	-	41,266.12	(43,558.52)	-	-	-
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	53,329.08	-	-	41,958.98	(53,329.08)	(11,370.10)	-	-
School Breakfast Program	10.553	16161NJ304N1099	N/A	7/1/15-6/30/16	45,806.75	(3,125.71)	-	3,125.71	-	-	-	-
National School Lunch Program	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	245,338.78	-	-	197,574.50	(245,338.78)	(47,764.28)	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	7/1/15-6/30/16	225,925.80	(12,253.69)	-	12,253.69	-	-	-	-
After Care Snack Program	10.555	16161NJ304N1099	N/A	7/1/15-6/30/16	2,204.94	-	-	1,084.23	(2,204.94)	(1,120.71)	-	-
Total U.S. Department of Agriculture								297,263.23	(344,431.32)	(60,255.09)	-	-
U.S. Department of Education Passed - Through State Department of Education:												
N.C.L.B. Title I	84.010A	S010A160030	NCLB-1970-17	7/1/16-6/30/17	252,362.00	-	-	252,362.00	(252,362.00)	-	-	-
N.C.L.B. Title II A	84.367A	S367A160030	NCLB-1970-17	7/1/16-6/30/17	29,608.00	-	-	29,608.00	(28,317.40)	-	1,290.60	-
N.C.L.B. Title III	84.365A	S365A160030	NCLB-1970-17	7/1/16-6/30/17	13,780.00	-	-	13,780.00	(13,780.00)	-	-	-
N.C.L.B. Title III - Immigrant	84.365A	S365A160030	NCLB-1970-17	7/1/16-6/30/17	2,478.00	-	-	2,478.00	(2,478.00)	-	-	-
I.D.E.A. Part B, Basic	84.027A	S027A160030	IDEA-1970-17	7/1/16-6/30/17	237,783.00	-	-	237,783.00	(237,783.00)	-	-	-
I.D.E.A. Part B, Preschool	84.173A	S173A160030	IDEA-1970-17	7/1/16-6/30/17	6,997.00	-	-	6,997.00	(6,997.00)	-	-	-
Total U.S. Department of Education								543,008.00	(541,717.40)	-	1,290.60	-
Total Federal Financial Assistance								\$ 874,360.30	\$ (908,568.56)	\$ (61,283.99)	\$ 1,290.60	\$ -

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this statement.



**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Board of Education, Borough of Dunellen School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 2 (C) and 2(D) to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS**

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

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

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS**  
(continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(6,129.00) for the general fund and \$0.00 for the special revenue fund. See Note for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Additionally, as discussed further in Note 6, the State of New Jersey makes contributions on-behalf of the District for TPAF post-retirement medical and pension contributions. The total amount of these contributions during 2017 fiscal year was \$1,338,745.00.

Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$21,390.94	\$7,467,746.16	\$7,489,137.10
Special Revenue Fund	541,717.40		541,717.40
Food Service Fund	<u>344,431.32</u>	<u>6,035.96</u>	<u>350,467.28</u>
Total Awards and Financial Assistance	<u>\$907,539.66</u>	<u>\$7,473,782.12</u>	<u>\$8,381,321.78</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

**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. INDIRECT COST RATE**

The Borough of Dunellen School District has elected not to use the 10 percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

**BOROUGH OF DUNELLEN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*Section I - Summary of Auditor's Results*

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

2) Significant deficiencies identified?            yes   X   none reported

Noncompliance material to financial statements noted?            yes   X   no

**Federal Awards**

D) Dollar threshold used to determine Type A programs           \$750,000.00          

E) Auditee qualified as low-risk auditee?   X   yes            no   n/a  

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

G) Internal Control over compliance:

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

2) Were significant deficiencies identified that were not considered to be material weaknesses?            yes   X   no

H) Any audit findings disclosed that are required to be reported in accordance with Federal Uniform Guidance?            yes   X   no

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	N.C.L.B. Title I



**BOROUGH OF DUNELLEN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(continued)**

**State Awards Section**

Dollar threshold used to distinguish between type A and type B programs:       \$750,000.00      

Auditee qualified as low-risk auditee?                      X   yes               no

Internal Control over major state 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 on compliance for major state programs:       Unmodified      

Any audit findings disclosed that are required to be reported  
in accordance with NJ OMB Circular letter 15-08, as applicable?           yes      X   no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
	State Aid Public Cluster:
17-495-034-5120-078	Equalization Aid
17-495-034-5120-089	Special Education Aid
17-495-034-5120-084	Security Aid
17-495-034-5120-096	Under Adequacy Aid
17-495-034-5120-097	Per Pupil Growth Aid
17-495-034-5120-098	PARCC Readiness Aid
17-495-034-5120-701	Professional Learning Community Aid

**BOROUGH OF DUNELLEN SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*Section II - Schedule of Financial Statement Findings*

NONE

*Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs*

No matters were reported.

**BOROUGH OF DUNELLEN SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Status of Prior Year Findings**

There were no prior audit findings.