

Comprehensive Annual Financial Report

of the

East Newark School District

East Newark, New Jersey

For the Fiscal Year Ended June 30, 2017

OUTLINE OF CAFR

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	2
Organizational Chart.....	7
Roster of Officials.....	8
Consultants and Advisors.....	9
FINANCIAL SECTION	
Independent Auditor's Report.....	11
Required Supplementary Information - Part I	
Management's Discussion and Analysis.....	15
BASIC FINANCIAL STATEMENTS	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position.....	21
A-2 Statement of Activities.....	22
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet.....	25
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	26
B-3 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Proprietary Funds:	
B-4 Statement of Net Position.....	29
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position.....	30
B-6 Statement of Cash Flows.....	31
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position.....	33
B-8 Statement of Changes in Fiduciary Net Position.....	N/A
Notes to the Financial Statements.....	34
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund.....	68
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	N/A
C-1b Community Development Block Grant - Budget and Actual.....	N/A

**OUTLINE OF CAFR
(Continued)**

	Page
C. Budgetary Comparison Schedules: (Continued)	
C-2 Budgetary Comparison Schedule - Special Revenue Fund	74
Notes to Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	76
Required Supplementary Information - Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	79
L-2 Schedule of the District Contributions - PERS	80
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	81
Notes to the Required Supplementary Information - Part III	82
Other Supplementary Information	
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 Program Revenues and Expenditures - Budgetary Basis	87
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	88
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	90
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	91
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Roof Repairs	92
F-2b Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Architectural Services	93
F-2c Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Construction Services	94
F-2d Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Floor Replacement	95
F-2e Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Architectural Services	96
F-2f Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Floor Tiling throughout Building	97

**OUTLINE OF CAFR
(Continued)**

	Page
Other Supplementary Information (Continued)	
G. Propriety Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position	100
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	101
G-3 Combining Schedule of Cash Flows	102
Internal Service Fund:	
G-4 Combining Schedule of Net Position	N/A
G-5 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	105
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	106
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	107
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1 Net Position by Component	112
J-2 Changes in Net Position	113
J-3 Fund Balances, Governmental Funds	115
J-4 Changes in Fund Balances, Governmental Funds	116
J-5 General Fund - Other Local Revenue by Source	117

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	119
J-7 Direct and Overlapping Property Tax Rates	120
J-8 Principal Property Taxpayers	121
J-9 Property Tax Levies and Collections	122

**OUTLINE OF CAFR
(Continued)**

Page

STATISTICAL SECTION (Unaudited) (Continued)

Debt Capacity

J-10	Ratios of Outstanding Debt by Type.....	124
J-11	Ratios of Net General Bonded Debt Outstanding.....	125
J-12	Direct and Overlapping Governmental Activities Debt.....	126
J-13	Legal Debt Margin Information	127

Demographic and Economic Information

J-14	Demographic and Economic Statistics.....	129
J-15	Principal Employers	130

Operating Information

J-16	Full-Time Equivalent District Employees by Function/Program.....	132
J-17	Operating Statistics.....	133
J-18	School Building Information.....	134
J-19	Schedule of Required Maintenance Expenditures by School Facilities.....	135
J-20	Insurance Schedule	136

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 <i>Government Auditing Standards</i>	138
K-2	Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08 ...	140
K-3	Schedule of Expenditures of Federal Awards, Schedule A.....	143
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B.....	144
K-5	Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	145
K-6	Schedule of Findings and Questioned Costs	147
K-7	Summary Schedule of Prior Year Audit Findings	149

INTRODUCTORY SECTION

December 4, 2017

Members of the Board of Education
East Newark School District
County of Hudson, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the East Newark Borough 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.

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the 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. This District is required to undergo an annual single audit in conformity with the provisions 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. 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

The East Newark Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The East Newark Borough Board of Education and all its schools constitute the District's reporting entity.

1) **REPORTING ENTITY AND ITS SERVICES (Continued)**

The District provides a full range of educational services appropriate to grade levels Kindergarten through 8. The District completed the 2016-2017 school year with an enrollment of 273 students. The following details the changes in the student enrollment of the District over the last five years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	273	1.01%
2015-16	271	1.12%
2014-15	268	-1.11%
2013-14	271	3.04%
2012-13	263	9.50%

2) **ECONOMIC CONDITION AND OUTLOOK**

The Borough is an established town with little changes likely.

3) **MAJOR INITIATIVES**

Students in each classroom, Pre-K through 8, as well as Bilingual, Resource Center, Basic Skills rooms and LEP, small instructional areas have access to both desktop computers and tablets. All of the computers in the school building have been wired for networking.

Preschool

The East Newark Borough School District has re-opened its Preschool Program with an AM and PM session.

Extended Day Program and Summer Program

The District has initiated an extended day program to provide additional assistance to Title I eligible students in order to increase language arts/literacies and math skills, language and math assistance to third through eighth grade students in order to insure that all of our students will be prepared to meet the New Jersey State Core Curriculum Standards. A Summer Program also is designed to assist students to include skills.

Gifted and Talented

Our students continue to be involved in an in-depth language program as well as participate in countrywide Gifted and Talented Programs.

Community Service

In order to build a sense of civic responsibilities, students participated in numerous activities including food donations, programs on bullying and civic responsibility.

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 is also 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 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 insure 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, the special revenue fund and the debt service fund. Perfect-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriation 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 2.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2017.

<u>Revenue</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Change</u>
Local Sources	\$ 1,481,131.63	26.75	\$ 25,765.38	-196.57
State Sources	3,788,764.37	68.43	57,471.95	-438.48
Federal Sources	<u>267,128.54</u>	<u>4.82</u>	<u>(96,344.53)</u>	735.05
Total	<u>\$ 5,537,024.54</u>	<u>100.00</u>	<u>\$ (13,107.20)</u>	

The following schedule presents a summary of the general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017:

<u>Expenditures</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>Percent of Change</u>
<u>Current Expense</u>				
Instruction	\$ 1,455,158.28	26.79	\$ 26,035.38	-5.37
Undistributed Expenditures	<u>3,976,358.40</u>	<u>73.21</u>	<u>(511,020.56)</u>	105.37
Total	<u>\$ 5,431,516.68</u>	<u>100.00</u>	<u>\$ (484,985.18)</u>	

8) DEBT ADMINISTRATION

East Newark is a Type I School District, and as such, all debt is municipal debt for school purposes. There is no outstanding school debt as of June 30, 2017.

9) CASH MANAGEMENT

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

10) 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.

11) OTHER INFORMATION

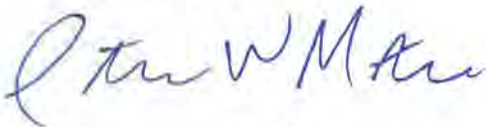
Independent Audit

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Samuel Klein and Company, Certified Public Accountants, 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 Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

12) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the East Newark Borough School Board for the 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,



Superintendent of Schools

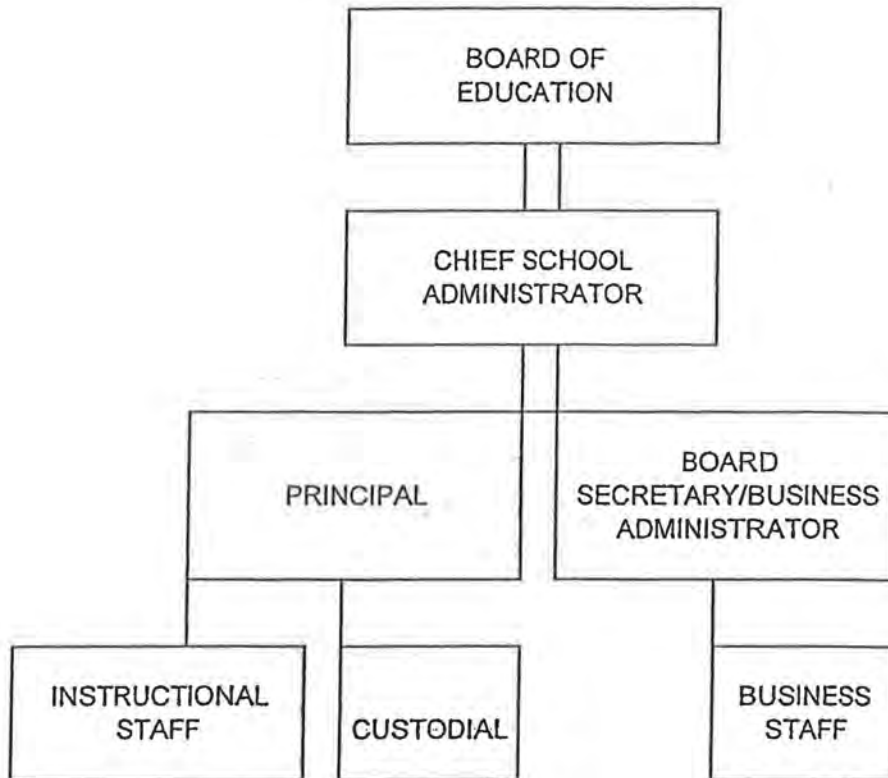


School Business Administrator

EAST NEWARK SCHOOL DISTRICT

ORGANIZATIONAL CHART

(UNIT CONTROL)



EAST NEWARK SCHOOL DISTRICT
EAST NEWARK, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Marlene Smith, President	2020
Jessica Diaz, Trustee	2019
Rose Evaristo, Trustee	2018
Samatha Vieira, Trustee	2020
Johanna Lopez, Trustee	2020
Donna O'Donnell, Trustee	2019
Angela Culguimboz, Trustee	2019
 <u>Other Officials</u>	
Dr. Patrick Martin, Superintendent/Principal	
Dr. David Eichenholtz, School Business Administrator	
Sonia Levan, Board Secretary	

**EAST NEWARK SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

Audit Firm

Samuel Klein and Company
Certified Public Accountants
550 Broad Street
Newark, New Jersey 07102

Attorney

Porzio, Bromberg & Newman P.C.
100 Southgate Parkway
P. O. Box 1997
Morristown, New Jersey 07962

Official Depositories

Valley National Bank
Fourth Street
East Newark, New Jersey 07029

State of New Jersey
Cash Management Fund

Penn Federal Savings Bank
Central Avenue
East Newark, New Jersey 07029

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
East Newark Board of Education
County of Hudson
East Newark, New Jersey 07029

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the East Newark School District, County of Hudson, 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 Board's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the East Newark School District, 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 and Budgetary Comparison Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the Board of Education of the East Newark School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 East Newark School District's internal control over financial reporting and compliance.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
December 4, 2017

REQUIRED SUPPLEMENTARY INFORMATION - PART I

December 4, 2017

The Honorable President and Members
of the Board of Education
East Newark Board of Education
501-11 North Third Street
East Newark, New Jersey 07029

Dear Board Members:

Management's Discussion and Analysis of Financial Statements

The following analysis of East Newark Board of Education's financial performance provides a summary of the District's financial integrity. The intent of the analysis is to provide an interpretation of the financial statements. This is the state Mandated GASB 34 reporting for school districts. As you know, school districts operate as a nonprofit organization. Yet, GASB 34 is instrumental in providing outside entities the opportunity to measure for profit operations. Hence, financial information that is analyzed utilizing GASB 34 for nonprofit entities is, in my opinion, irrelevant and misleading. School districts are required to account for asset depreciation even though the need to match revenues with purchased assets are not necessary since all similar purchases are budgeted for in capital outlay and expensed in the operating year.

Statement of Net Position and the Statement of Activities

The Statement of Net Position provides a summary of assets. This summary includes fixed assets, items costing more than \$2,000 each, and their accumulated depreciation. Accumulated depreciation is the yearly costing of an asset's useful life. Accrual accounting is utilized as prescribed by GAAP (Generally Accepted Accounting Principles). A schedule of fixed assets is included below as Table 1.

Fund Financial Statements

School districts utilize two categories for reporting assets. The first category identified as Governmental Funds, records the most activity. Governmental Funds reflect activity within the following sub-groups:

General Fund (Fund 10)

Fund 11 Distributed and Undistributed Instructional Accounts - Asset Producing
Fund 12 Capital Outlay - Asset Producing
Fund 13 Special Schools - Non-Asset Producing

Special Revenue (Fund 20)

Fund 20 Grants and Entitlements - Asset Producing

Fund Financial Statements (Continued)

The second category, identified as Business-Type Activities, records assets purchased for the following sub-group:

Enterprise (Fund 60)

Fund 60 Enterprise/Food Service - Asset Producing

**TABLE 1
FIXED ASSETS**

Government Funds

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<u>Non-Depreciated Assets</u>			
Land	\$ 153,681.00	\$	\$ 153,681.00
Construction-in-Progress	55,437.50	40,269.50	95,707.00
Total Non-Depreciated Assets	<u>209,118.50</u>	<u>40,269.50</u>	<u>249,388.00</u>
<u>Depreciated Assets</u>			
Building and Improvements	2,412,979.00		2,412,979.00
Vehicles	87,199.00		87,199.00
Machinery and Equipment	494,424.13		494,424.13
Total Depreciated Assets	<u>2,994,602.13</u>	<u>-</u>	<u>2,994,602.13</u>
Total Assets	<u>3,203,720.63</u>	<u>40,269.50</u>	<u>3,243,990.13</u>
Less Accumulated Depreciation:			
Building and Improvements	(1,804,463.00)	(10,900.00)	(1,815,363.00)
Vehicles	(75,913.00)	(13,817.00)	(89,730.00)
Machinery and Equipment	(281,799.00)	(19,364.00)	(301,163.00)
Total Accumulated Depreciation	<u>(2,162,175.00)</u>	<u>(44,081.00)</u>	<u>(2,206,256.00)</u>
Governmental Activities Capital Assets - Net	<u>\$ 1,041,545.63</u>	<u>\$ (3,811.50)</u>	<u>\$ 1,037,734.13</u>

LONG-TERM DEBT

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Balance June 30, 2017</u>	<u>Long-Term Portion</u>
Compensated Absences	\$ 191,474.97	\$ 2,100.00	\$ 193,574.97	\$ 193,574.97
Deferred Pension Obligations	455,027.00	644,632.00	1,099,659.00	1,099,659.00
	<u>\$ 646,501.97</u>	<u>\$ 646,732.00</u>	<u>\$ 1,293,233.97</u>	<u>\$ 1,293,233.97</u>

The above schedule includes current debt liabilities, which are not expected to be paid within one year.

Long-term liabilities generally include debt issuances, lease-purchase agreements, capital leases, operating leases with scheduled rent increases, compensated absences, claims and judgments, early retirement incentive programs, and rebatable arbitrage. Liabilities that are not directly related to Governmental Funds and are expected to be paid from Proprietary and Trust Funds are not included above.

The Board of Education is a Type I School District and any debt authorized would be reflected on the records of the Borough.

**TABLE 2
CHANGE IN NET POSITION**

	<u>General Activities</u>	<u>Business- Type Activities</u>
<u>Revenues</u>		
Local Taxes	\$ 1,453,439	\$
State/Federal Aid	3,300,149	142,101
Other	27,693	25,029
Total Revenues	<u>4,781,281</u>	<u>167,130</u>
<u>Expenditures</u>		
Regular Instruction	1,550,350	
Tuition	1,967,101	
Student Support Services	321,902	
Administration	458,441	
Maintenance and Operations	477,737	
Transportation	49,431	
Unallocated Depreciation	44,081	
Cost of Sales		149,306
	<u>4,869,043</u>	<u>149,306</u>
Increase (Decrease) in Net Position	<u>\$ (87,762)</u>	<u>\$ 17,824</u>

Governmental Activities

Local tax levy is roughly 26% of the District's General Fund source of revenue. Budgeted revenues were higher due to more than expected interest on investments and refund of prior year expenditures.

Expenditures for tuition for out-of-district placement of regular and classified students equal about 36% of the operating budget. Instructional expenses equal 27% of the operating budget. Instructional expenses include teachers' salaries, supplies and textbooks.

Student Support Services include health, social work, child-study team and guidance support.

Maintenance and Operations are expenses mandated by the State Department of Education to maintain all building systems. Costs for the maintenance and custodial departments are also included here.

Transportation costs include Special Education and Class Trips.

Business Support is expenditures associated with the business and financial aspect of the District. Expenditures include payroll, transportation, accounting, accounts payable, benefits processing, technology and personnel departments.

Business Activities

Over the past two years, costs associated with operations have decreased significantly through the efforts of aggressive bidding, efficient and well-defined scope of responsibilities for the business departments, and controlling variable costs like overtime.

Future Outlook

The future fiscal outlook for the East Newark Board of Education is favorable. The School District is sufficiently funded to meet the educational and capital requirements. One concern is the repeated practice of designated fund balance to offset tax increases.

The primary concern on a global issue is the East Newark Borough's inability to increase the tax base. Student enrollment has increased consistently for the past seven years. Unfortunately, the Borough's tax base has remained relatively flat. Furthermore, since the Borough is at full build-out (which means there is no space available for further development which would increase the ratable base), the likelihood of significant tax increases on the average homeowner over the next five years is very likely. Additionally, the East Newark Board of Education is seeking ways to either renovate the existing school or to build a new school.

In closing, the Administration is determined to address the educational needs of the students while delivering a responsible budget to the taxpayers.

BASIC FINANCIAL STATEMENTS

A. DISTRICT-WIDE FINANCIAL STATEMENTS

**EAST NEWARK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 100,128.10	\$ 788.42	\$ 100,916.52
Receivables, Net	310,187.81	10,117.65	320,305.46
Inventories		4,209.26	4,209.26
Interfunds Receivable	128,449.97	165,368.91	293,818.88
Restricted Assets:			
Cash and Cash Equivalents	665,318.26		665,318.26
Total Current Assets	<u>1,204,084.14</u>	<u>180,484.24</u>	<u>1,384,568.38</u>
Noncurrent Assets:			
Capital Assets, Net (Note 5)	1,037,734.13		1,037,734.13
Total Noncurrent Assets	<u>1,037,734.13</u>	<u>-</u>	<u>1,037,734.13</u>
Total Assets	<u>2,241,818.27</u>	<u>180,484.24</u>	<u>2,422,302.51</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension	<u>653,671.00</u>		<u>653,671.00</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable		10,059.06	10,059.06
Interfunds Payable	225,020.41		225,020.41
Payable to Federal Government		16.53	16.53
Unearned Revenue	104,054.91		104,054.91
Total Liabilities	<u>329,075.32</u>	<u>10,075.59</u>	<u>339,150.91</u>
Long-Term Liabilities:			
Accumulated Compensated Absences	193,574.97		193,574.97
Net Pension Liability (Note 8)	1,099,659.00		1,099,659.00
	<u>1,293,233.97</u>	<u>-</u>	<u>1,293,233.97</u>
Total Liabilities	<u>1,622,309.29</u>	<u>10,075.59</u>	<u>1,632,384.88</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount Related to Pension	<u>38,635.00</u>		<u>38,635.00</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,037,734.13		1,037,734.13
Restricted for:			
Capital Projects	68,425.06		68,425.06
Other Purposes	899,264.76		899,264.76
Unrestricted	<u>(770,878.97)</u>	<u>170,408.65</u>	<u>(600,470.32)</u>
Total Net Position	<u>\$1,234,544.98</u>	<u>\$ 170,408.65</u>	<u>\$1,404,953.63</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST NEWARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 1,859,868.28	\$	\$ 576,577.66	\$ (1,283,290.62)	\$	\$ (1,283,290.62)
Special Education Instruction	236,567.45		36,820.01	(199,767.44)		(199,767.44)
Other Special Instruction	74,893.45		11,655.64	(63,237.81)		(63,237.81)
Other Instruction	4,476.76		422.38	(4,054.38)		(4,054.38)
Support Services:						
Tuition	1,967,100.57			(1,967,100.57)		(1,967,100.57)
Student and Instruction Related Services	386,418.01		64,515.51	(321,902.50)		(321,902.50)
General Administration Services	245,275.82		15,789.25	(229,486.57)		(229,486.57)
Other Administrative Services	192,237.32		19,154.14	(173,083.18)		(173,083.18)
Central Services	66,169.13		10,297.88	(55,871.25)		(55,871.25)
Plant Operations and Maintenance	498,247.62		20,510.87	(477,736.75)		(477,736.75)
Pupil Transportation	49,431.28			(49,431.28)		(49,431.28)
Unallocated Depreciation	44,081.00			(44,081.00)		(44,081.00)
Total Governmental Activities	5,624,786.68		755,743.33	(4,869,043.35)		(4,869,043.35)
Business-Type Activities:						
Food Services	149,306.48	24,744.40	142,101.18		17,539.10	17,539.10
Total Primary Government	\$ 5,774,093.16	\$ 24,744.40	\$ 897,844.51	\$ (4,869,043.35)	\$ 17,539.10	\$ (4,851,504.25)
General Revenues:						
General Purpose Property Taxes				\$ 1,453,439.00	\$	\$ 1,453,439.00
Unrestricted Federal and State Aid				3,300,149.58		3,300,149.58
Miscellaneous				27,692.63	284.78	27,977.41
Total General Revenue				4,781,281.21	284.78	4,781,565.99
Change in Net Position				(87,762.14)	17,823.88	(69,938.26)
Net Position - Beginning				1,322,307.12	152,584.77	1,474,891.89
Net Position - Ending				\$ 1,234,544.98	\$ 170,408.65	\$ 1,404,953.63

B. FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**EAST NEWARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Government Funds</u>
Cash and Cash Equivalents	\$ 187,228.13	\$	\$ 8,773.56	\$ 196,001.69
Local Tax Levy Receivable	83,303.27			83,303.27
Due from State of New Jersey	30,287.50			30,287.50
Due from Federal Government		196,594.04		196,594.04
Interfunds Receivable	68,798.47		59,651.50	128,449.97
Other Accounts Receivable	3.00			3.00
Restricted Cash and Cash Equivalents	<u>665,318.26</u>			<u>665,318.26</u>
Total Assets	<u>\$ 1,034,938.63</u>	<u>\$ 196,594.04</u>	<u>\$ 68,425.06</u>	<u>\$ 1,299,957.73</u>
LIABILITIES:				
Cash Overdraft	\$	\$ 95,873.59	\$	\$ 95,873.59
Interfunds Payable	225,020.41			225,020.41
Unearned Revenues		104,054.91		104,054.91
	<u>225,020.41</u>	<u>199,928.50</u>		<u>424,948.91</u>
FUND BALANCES:				
Restricted Fund Balance:				
Capital Reserve Account	550,499.06			550,499.06
Excess Surplus	34,788.43			34,788.43
Assigned Fund Balance:				
Designated for Subsequent Year's Expenditures	272,024.00			272,024.00
Committed Fund Balance:				
Encumbrances	41,953.27			41,953.27
Unassigned Fund Balance:				
General Fund	(89,346.54)			(89,346.54)
Special Revenue Fund		(3,334.46)		(3,334.46)
Capital Projects Fund			68,425.06	68,425.06
Total Fund Balances	<u>809,918.22</u>	<u>(3,334.46)</u>	<u>68,425.06</u>	<u>875,008.82</u>
Total Liabilities and Fund Balance	<u>\$ 1,034,938.63</u>	<u>\$ 196,594.04</u>	<u>\$ 68,425.06</u>	<u>\$ 1,299,957.73</u>

Total Fund Balances Above \$ 875,008.82

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Deferred outflows related to pension contributions subsequent to the net position liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. 653,671.00

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$3,243,990.13 and the accumulated depreciation is \$2,206,256.00 (See Note 5). 1,037,734.13

Deferred inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (38,635.00)

Long-term liabilities, including bonds, loans and leases payable are not payable in the current period and therefore are not reported as liabilities in the funds (See Note 6). (1,293,233.97)

Net Position of Governmental Activities (A-1) \$ 1,234,544.98

**EAST NEWARK SCHOOL DISTRICT
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>Total Governmental Funds</u>
<u>Revenues</u>				
Local Tax Levy	\$ 1,453,439.00	\$	\$	\$ 1,453,439.00
Miscellaneous	27,692.63			27,692.63
State Sources	3,728,875.57	59,888.80		3,788,764.37
Federal Sources		267,128.54		267,128.54
Total Revenues	<u>5,210,007.20</u>	<u>327,017.34</u>		<u>5,537,024.54</u>
<u>Expenditures</u>				
Current:				
Regular Instruction	976,689.77	273,548.03		1,250,237.80
Special Education Instruction	152,976.92			152,976.92
Other Special Instruction	48,425.94			48,425.94
Other Instruction	3,517.62			3,517.62
Support Services and Undistributed Costs:				
Tuition	1,967,100.57			1,967,100.57
Student and Instruction Related Services	263,942.24	18,905.89		282,848.13
General Administrative Services	209,421.75			209,421.75
Other Administrative Services	148,742.29			148,742.29
Central Services	42,784.81			42,784.81
Plant Operations and Maintenance	451,671.74			451,671.74
Pupil Transportation	49,431.28			49,431.28
Employee Benefits	793,128.83	31,229.00		824,357.83
Capital Outlay			40,269.50	40,269.50
Total Expenditures	<u>5,107,833.76</u>	<u>323,682.92</u>	<u>40,269.50</u>	<u>5,471,786.18</u>
Excess of Revenues Over/(Under) Expenditures	<u>102,173.44</u>	<u>3,334.42</u>	<u>(40,269.50)</u>	<u>65,238.36</u>
Other Financing Sources (Uses):				
Operating Transfers (Out)	(94,400.00)		94,400.00	
	<u>(94,400.00)</u>		<u>94,400.00</u>	
Net Change in Fund Balances	7,773.44	3,334.42	54,130.50	65,238.36
Fund Balance - July 1	<u>802,144.78</u>	<u>(6,668.88)</u>	<u>14,294.56</u>	<u>809,770.46</u>
Fund Balance - June 30	<u>\$ 809,918.22</u>	<u>\$ (3,334.46)</u>	<u>\$ 68,425.06</u>	<u>\$ 875,008.82</u>

**EAST NEWARK SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Ref.</u>	
Total Net Change in Fund Balances - Governmental Funds	B-2	\$ 65,238.36
<p>Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:</p> <p>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.</p>		
Depreciation Expense		\$ (44,081.00)
Capital Outlays		<u>40,269.50</u>
		(3,811.50)
<p>Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest cost, administrative costs, investment returns and experience/assumptions. This is the amount by which net position liability and deferred inflows/outflows relate to pension changes during the period</p>		
		<u>(149,189.00)</u>
	A-2	<u>\$ (87,762.14)</u>

PROPRIETARY FUNDS

**EAST NEWARK SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	Business-Type Activities <u>Enterprise Fund</u> Food <u>Service</u>
Current Assets:	
Cash and Cash Equivalents	\$ 788.42
Interfunds Receivable	165,368.91
Accounts Receivable:	
State Sources	129.45
Federal Sources	9,988.20
Inventories	4,209.26
Total Current Assets	<u>180,484.24</u>
Total Assets	<u>\$ 180,484.24</u>
 <u>LIABILITIES</u>	
Due to Federal Government	\$ 16.53
Accounts Payable	<u>10,059.06</u>
Total Liabilities	<u>\$ 10,075.59</u>
 <u>NET POSITION</u>	
Unrestricted	<u>\$ 170,408.65</u>
Total Net Position	<u>\$ 170,408.65</u>

**EAST NEWARK SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities <u>Enterprise Fund</u> Food <u>Service</u>
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 10,719.80
Daily Sales - Non-reimbursable Programs	14,024.60
Total Operating Revenues	<u>24,744.40</u>
Operating Expenses:	
Cost of Sales	78,581.98
Salaries	47,577.96
Other Purchased Services	16,115.54
Management Fee	7,031.00
Total Operating Expenses	<u>149,306.48</u>
Operating Loss	<u>(124,562.08)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	1,863.30
Federal Sources:	
National School Lunch Program	98,332.93
National School Breakfast Program	39,799.19
HHFK Program	2,105.76
Interest Revenue	15.60
Rebates	269.18
Total Nonoperating Revenues	<u>142,385.96</u>
Change in Net Position	17,823.88
Total Net Position - Beginning	<u>152,584.77</u>
Total Net Position - Ending	<u>\$ 170,408.65</u>

**EAST NEWARK SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities Enterprise Fund Food Service</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 25,286.33
Payments to Vendors	<u>(157,212.66)</u>
Net Cash Used for Operating Activities	<u>(131,926.33)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
State and Federal Sources	217,312.23
Interfunds	(74,941.87)
Interest Earned	<u>15.60</u>
Net Cash Provided by Noncapital Financing Activities	<u>142,385.96</u>
Net Increase in Cash and Cash Equivalents	10,459.63
Balances - Beginning of Year	<u>(9,671.21)</u>
Balances - End of Year	<u>\$ 788.42</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Operating Loss	<u>\$ (124,562.08)</u>
Adjustments to Reconcile Operating Loss to Cash Used by Operating Activities:	
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(6,116.21)
(Increase)/Decrease in Inventory	(861.21)
Increase/(Decrease) in Accounts Payable	<u>(386.83)</u>
Total Adjustments	<u>(7,364.25)</u>
Net Cash Used by Operating Activities	<u>\$ (131,926.33)</u>

FIDUCIARY FUNDS

**EAST NEWARK SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	\$25,356.53
Accounts Receivable	<u>50,952.00</u>
Total Assets	<u>\$76,308.53</u>
<u>LIABILITIES</u>	
Payable to Student Groups	\$ 6,203.81
Interfunds Payable	68,798.47
Payroll Deductions and Withholdings, Net Salaries	<u>1,306.25</u>
Total Liabilities	<u>\$76,308.53</u>

NOTES TO THE FINANCIAL STATEMENTS

EAST NEWARK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The East Newark School District (the "District") is a Type I District located in the County of Hudson, State of New Jersey. As a Type I District, the members are appointed by the Mayor. A Board of School Estimate approves the school district levy after the final budget is determined by the Board of Education (the "Board"). The members of the Board of School Estimate include the Mayor, two members of the local school board and two members of the governing body. The purpose of the District is to educate students in grades K - 12. The East Newark School District had an approximate enrollment at June 30, 2017 of 273 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, board, and agencies that are not legally separate from the School District. For East Newark Borough Local School District, this includes general operations, food service, and student related activities of the School District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- . the organization is legally separate (can sue or be sued in their own name)
- . the District holds the corporate powers of the organization
- . the District appoints a voting majority of the organization's board
- . the District is able to impose its will on the organization
- . the organization has the potential to impose a financial benefit/burden on the District
- . there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Newark Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

During the 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.

Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 School District's major governmental funds:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

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 temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The District presently has no resources that are considered capital projects funds.

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. The District presently has no resources that are considered debt service funds.

Permanent Fund - The Permanent Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. Resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting entity's programs - that is, for the benefit of the school district. The District presently has no resources that are considered permanent funds.

2. Proprietary Fund Type

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

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that 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 District's Enterprise Fund is composed of the Food Service Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

Enterprise Fund (Continued)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of the equipment used in operations of the Enterprise Funds are approximately 10 years. The Enterprise Fund has no valuation of capital fixed assets.

Internal Service Funds - These funds may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity and its component units, or to other governments, on a cost-reimbursement basis. In addition, internal service funds are used only if the reporting school district is the predominant participant in the activity. The District does not currently utilize any internal service funds.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. They are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. There are four fiduciary fund types - pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts and agency funds. The overarching rule for these funds is that they should never be used to report resources that can be used for programs of the reporting district.

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Fund includes the Unemployment Compensation Insurance Fund and Scholarship Funds. The District does not currently utilize any expendable Trust Funds.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not currently utilize any Nonexpendable Trust Funds.

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. These funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

4. Long-Term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt, not in the governmental funds. This includes serial bonds outstanding that are expected to be financed from governmental funds, the outstanding principal balance on capital leases, lease-purchase agreements, compensated absences, claims and judgments, early retirement incentive programs and rebatable arbitrage.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Position.

2. 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 governmental activities of the government-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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County Office 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. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.).

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

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

The overexpenditures related to on-behalf payments in the general fund are due to the inclusion of the nonbudgeted on-behalf payments made by the State of New Jersey as district expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures.

The following presents a reconciliation of the General Fund Revenue and Special Revenue Fund Revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue to the GAAP basis of accounting as presented in the Combined Statements of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control (Continued)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 5,213,073.62	\$ 323,682.92
Difference - Budget to GAAP:		
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	339,580.12	6,668.88
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(342,646.54)</u>	<u>(3,334.46)</u>
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,210,007.20</u>	<u>\$ 327,017.34</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	<u>\$ 5,107,833.76</u>	<u>\$ 323,682.92</u>
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,107,833.76</u>	<u>\$ 323,682.92</u>

F. 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 District has received advances, are reflected in the balance sheet as deferred inflows 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

I. Tuition 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.

J. Tuition Payable

Tuition charges for the fiscal years 2015-16 and 2016-17 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

K. Short-Term Interfund Receivables/Payables

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

L. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000.00. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method under the half year convention over the following useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>
School Buildings	50 years
Building Improvements	20 years
Electrical/Plumbing	30 years
Vehicles	8 years
Office and Computer Equipment	5 - 10 years
Instructional Equipment	10 years
Grounds Equipment	15 years
Food Service Equipment	7 - 20 years

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. In addition to liabilities, the statement of net 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

N. Compensated Absences

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

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Accrued Liabilities and Long-Term Obligations

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

In general, 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 governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

P. Net Position

Net position is displayed in three components, net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Q. Unearned Revenue

Unearned revenue in the general and special revenue fund represent program revenues that have been received but not yet earned.

R. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

S. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. **Nonspendable** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. **Restricted** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Fund Balance (Continued)

- c. Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- d. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- e. Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a position unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

T. Proprietary Funds Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise fund, (the Food Service) are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

U. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the capital projects fund. The liability, if any, is recorded in the "Statement of Net Position".

V. Non-Monetary Transactions

Commodities received under the Federal Food Distribution Program are received by the District and are recorded as nonoperating revenue when received in the Food Service Enterprise Fund at market value. The use of the commodities is included in cost of sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Allocation of 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. Employee benefits, including the employer's share of social security, workers' compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

X. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Y. Health Benefits

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

Z. 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. This statement was effective for periods beginning after June 15, 2014.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AA. Other Accounting Standards

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 82. Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 83. Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 84. Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of 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.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District does not expect this Statement to impact its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AA. Other Accounting Standards (Continued)

- *GASB Statement No. 85. Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 86. Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 27, 2017. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 87. Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include money market funds, mutual funds, cash management funds and certificates of deposit with maturity dates of less than three months. Investments include certificates of deposit with maturity dates of more than three months. Investments include certificates of deposit with maturity dates of more than three months. Cash equivalents and investments are stated at cost, which approximates market. Cash equivalents and investments were held by the Board in the Board's name.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit that have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments. The District is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits (Continued)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

As of June 30, 2017, cash and cash equivalents (deposits) of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>
Unrestricted	\$222,146.64
Restricted	<u>665,318.26</u>
	<u>\$887,464.90</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$926,348.68. Of the bank balance, \$250,000.00 was covered by Federal Depository Insurance and \$676,348.68 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental unit's deposits in excess of the Federal deposit maximums.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.

Government money market mutual funds.

Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.

Bonds or other obligations of the school district or local unit of which the school district is a part.

Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.

Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments (Continued)

- . New Jersey State Cash Management Fund.
- . Repurchase agreements of fully collateralized securities, subject to special conditions.

As of June 30, 2017, the District had no outstanding investments.

4. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental Accounts Receivable at June 30, 2017 consisted of Federal Source, State Source, transportation, a capital project grant for the new high school and other revenue. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Business- Type Activities</u>
State Aid:		
General Fund:		
TPAF FICA Reimbursement	\$ 6,421.50	
Extraordinary Aid	<u>23,866.00</u>	
	<u>\$ 30,287.50</u>	
Special Revenue Fund:		
Federal Source	<u>\$ 196,594.04</u>	
Proprietary Fund:		
Enterprise Fund:		
State Source		<u>\$ 129.45</u>
Federal Source		<u>\$ 9,988.20</u>

5. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the Borough of East Newark Board of Education by inclusion of \$790,000.00 during Fiscal Year 2003 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the Governmental Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A: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.

As of June 30, 2017, there remains \$550,499.06 in the Capital Reserve Account.

6. CAPITAL ASSETS

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

	Beginning Balance <u>July 1, 2016</u>	<u>Additions</u>	Ending Balance <u>June 30, 2017</u>
<u>Governmental Activities</u>			
Nondepreciable Assets:			
Land	\$ 153,681.00	\$	\$ 153,681.00
Construction-in-Progress	55,437.50	40,269.50	95,707.00
	<u>209,118.50</u>	<u>40,269.50</u>	<u>249,388.00</u>
Depreciable Assets:			
Buildings and Improvements	2,412,979.00		2,412,979.00
Vehicles	87,199.00		87,199.00
Machinery and Equipment	494,424.13		494,424.13
	<u>2,994,602.13</u>		<u>2,994,602.13</u>
	<u>3,203,720.63</u>	<u>40,269.50</u>	<u>3,243,990.13</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(1,804,463.00)	(10,900.00)	(1,815,363.00)
Vehicles	(75,913.00)	(13,817.00)	(89,730.00)
Machinery and Equipment	(281,799.00)	(19,364.00)	(301,163.00)
	<u>(2,162,175.00)</u>	<u>(44,081.00)</u>	<u>(2,206,256.00)</u>
Governmental Activities Net Capital Assets	<u>\$ 1,041,545.63</u>	<u>\$ (3,811.50)</u>	<u>\$ 1,037,734.13</u>

7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2017, the following changes occurred in Long-Term Debt:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	Balance <u>June 30, 2017</u>	<u>Long-Term Portion</u>
Compensated Absences	\$191,474.97	\$ 2,100.00	\$ 193,574.97	\$ 193,574.97
Deferred Pension Obligations	455,027.00	644,632.00	1,099,659.00	1,099,659.00
	<u>\$646,501.97</u>	<u>\$646,732.00</u>	<u>\$1,293,233.97</u>	<u>\$1,293,233.97</u>

A. Bonds Payable

East Newark is a Type I School District. Bonds are issued for the School District by the municipality.

B. Bonds Authorized but Not Issued

As of June 30, 2017, the Board had no authorized but not issued bonds.

C. Capital Leases Payable

As of June 30, 2017, the Board had no capital leases.

8. OPERATING LEASES

As of June 30, 2017, the Board had no operating leases.

9. 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, P. O. Box 295, Trenton, New Jersey 08625.

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 noncontributing 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.

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.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Pension benefits for members enrolled in PERS after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the system.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% 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.

9. PENSION PLANS (Continued)

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operates and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for TPAF and PERS is currently 7.06% of employees' annual compensation, as defined.

Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined employer contribution includes funding for both cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premium. Under current statute, the District is a noncontributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Net Cost to District</u>	<u>Percentage of APC Contributed</u>
June 30, 2017	\$32,985.00	\$32,985.00	100%
June 30, 2016	17,477.00	17,477.00	100%
June 30, 2015	13,038.00	13,038.00	100%

9. PENSION PLANS (Continued)

Contribution Requirements (Continued)

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Long-Term</u> <u>Disability</u> <u>Insurance</u>	<u>Post-</u> <u>Retirement</u> <u>Medical</u> <u>Benefits</u>
June 30, 2017	\$116,937.00	100%	\$ 527.00	\$ 97,435.00
June 30, 2016	87,686.00	100%		104,410.00
June 30, 2015	38,479.00	100%		61,085.00

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$116,937.00 to the TPAF for normal pension and \$97,435.00 for post-retirement medical benefits and \$527.00 for long-term disability insurance On-Behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$66,737.99 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 basic financial statements and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

Legislation enacted during 1993 provided early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Board assumed the increased cost for the early retirement as it affected their district.

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the State's portion of the net pension liability that was associated with the district was \$8,615,544, as measured on June 30, 2016 and \$4,498,469 as measured on June 30, 2015.

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

For the year ended June 30, 2017, the district recognized pension expense of \$647,338 and revenue of \$647,338 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Collective Deferred Outflows of Resources	\$ 7,521,378,257	\$ 17,414,701,002
Collective Deferred Inflows of Resources	554,399,005	134,532,594
Collective Net Pension Liability (Nonemployer - State of New Jersey)	63,204,270,305	78,666,367,052
State's Portion of the Net Pension Liability that was Associated with the District	4,498,469	8,615,544
State's Portion of the Net Pension Liability that was Associated with the District as a Percentage of the Collective Net Pension Liability	0.0071174336%	0.0109520044%

Actuarial Assumptions

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

Inflation:	2.5%
Salary Increases:	Varies Based on Experience
Investment Rate of Return:	7.65%

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.

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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 Investment 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:

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

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. 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% as of June 30, 2016, 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. 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 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/qasb68-tpaf17.pdf>.

Pension Plan Fiduciary Net Position

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

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2017, the District reported a liability of \$1,099,659 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability 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, 2015. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.0037129152%, which was an increase of 0.0016858877% from its proportion measured as of June 30, 2015.

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$135,882. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 20,450	\$
Changes of Assumptions	227,791	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,931	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	330,514	38,635
District Contributions Subsequent to the Measurement Date	<u>32,985</u>	
	<u>\$ 653,671</u>	<u>\$ 38,635</u>

The \$32,985 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 measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$ 65,329.56
2018	65,329.56
2019	75,686.49
2020	63,587.72
2021	<u>20,238.52</u>
	<u>\$ 290,171.85</u>

Additional Information:

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Collective Deferred Outflows of Resources	\$ 3,578,755,666	\$ 8,685,338,380
Collective Deferred Inflows of Resources	999,410,455	870,133,595
Collective Net Pension Liability (Non State - Local Group)	22,447,996,119	29,617,131,759
District's Portion of Net Pension Liability	455,027	1,099,659
District's Proportion %	0.0020270275%	0.0037129152%

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 20262012-2021	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%

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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 combined Healthy Male and Female Mortality Tables (set back 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).

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

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 Investment 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 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:

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. 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% as of June 30, 2016, 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 employer 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.98%) or one percentage point higher (4.98%) than the current rate:

	<u>1% Decrease (2.98%)</u>	<u>Current Discount Rate (3.98%)</u>	<u>1% Increase (4.98%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 1,347,503.00	\$ 1,099,659.00	\$ 895,041.00

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

10. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the minimum base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirement, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution.

As of June 30, 2017, there were no officials or employees enrolled in the DCRP.

11. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions 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, c. 62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

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

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

12. COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Food Service Fund.

13. 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 administrator is The Variable Annuity Life Insurance Company.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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.

15. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following:

	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General Fund:		
Due to Proprietary Fund	\$	\$ 165,368.91
Due from Fiduciary Fund	68,798.47	
Due to Capital Projects Fund		59,651.50
Fiduciary Fund:		
Due to General Fund		68,798.47
Proprietary Fund:		
Due from General Fund	165,368.91	
Capital Project Fund:		
Due from General Fund	<u>59,651.50</u>	
	<u>\$ 293,818.88</u>	<u>\$ 293,818.88</u>

16. INVENTORY

The value of Federal donated commodities is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

17. FUND BALANCE APPROPRIATED

General Fund - Of the \$809,918.22 General Fund fund balance reported in Statement "B-1" at June 30, 2017, \$41,953.27 is year end encumbrances; \$272,024.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$550,499.06 is for capital reserve; \$34,788.43 is for excess surplus and an unassigned balance of \$(89,346.54).

18. DEFICIT FUND BALANCES

The District has an unreserved deficit fund balance of \$89,346.54 in the General Fund and \$3,334.46 in the Special Revenue Fund as of June 30, 2017, as reported in the fund statements (Exhibit B-1) (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 school budget year, districts must record the last state aid payment 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 an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General Fund balance unreserved deficit does not alone indicate that the District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, unassigned general fund balance that is reported as a direct result from a delay in the payment 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 \$89,346.54 is less than the last state aid payment.

19. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess surplus as of June 30, 2017 is \$34,788.43.

20. CONTINGENT LIABILITIES

A. Litigation

The Board's Attorney letter did not indicate any litigation, claims or contingent liabilities that would have a material financial impact on the financial condition of the Board of Education.

B. Federal and State Awards

The School District participates in several federal and state grant and aid programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants or aid, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2017 may be impaired. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying general purpose financial statements for such contingencies.

21. RECONCILIATION OF FUND BALANCE - GENERAL FUND

The Surpluses are presented on a GAAP basis and a reconciliation from the budget basis to the GAAP basis is as follows:

	<u>Unreserved and Designated</u>
Balance on a Budget Basis on the General Fund Budgetary Basis Comparison	\$ 1,152,564.76
Less: Allocation of State Aid Payment of \$342,646.54 Not Recognized on a GAAP Basis	<u>342,646.54</u>
Balances on a GAAP Basis on the Governmental Fund Balance Sheet	<u>\$ 809,918.22</u>

22. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

23. SUBSEQUENT EVENT

The East Newark School District has evaluated subsequent events that occurred after the balance sheet date, but before December 4, 2017. No items were determined to require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

C. BUDGETARY COMPARISON SCHEDULES

EAST NEWARK SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL 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>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 1,453,439.00	\$	\$ 1,453,439.00	\$ 1,453,439.00	\$
Miscellaneous				27,692.63	27,692.63
Transfer from Other Funds	<u>5,000.00</u>		<u>5,000.00</u>		<u>(5,000.00)</u>
Total - Local Sources	<u>1,458,439.00</u>		<u>1,458,439.00</u>	<u>1,481,131.63</u>	<u>22,692.63</u>
State Sources:					
Categorical Special Education Aid	216,241.00		216,241.00	216,241.00	
Equalization Aid	3,089,480.00		3,089,480.00	3,089,480.00	
Categorical Security Aid	27,928.00		27,928.00	27,928.00	
Categorical Transportation Aid	8,356.00		8,356.00	8,356.00	
Under Adequacy Aid	72,274.00		72,274.00	72,274.00	
PARCC Readiness Aid	4,030.00		4,030.00	4,030.00	
Per Pupil Growth Aid	4,030.00		4,030.00	4,030.00	
Professional Learning Community Aid	4,100.00		4,100.00	4,100.00	
Extraordinary Aid		20,566.00	20,566.00	23,866.00	3,300.00
On-Behalf TPAF Pension Contributions (Nonbudgeted)				116,937.00	116,937.00
On-Behalf TPAF OPEB (Post-Retirement Medical) Contribution (Nonbudgeted)				97,435.00	97,435.00
On-Behalf TPAF Long-Term Disability Insurance				527.00	527.00
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				66,737.99	66,737.99
Total - State Sources	<u>3,426,439.00</u>	<u>20,566.00</u>	<u>3,447,005.00</u>	<u>3,731,941.99</u>	<u>284,936.99</u>
Total Revenues	<u>\$ 4,884,878.00</u>	<u>\$ 20,566.00</u>	<u>\$ 4,905,444.00</u>	<u>\$ 5,213,073.62</u>	<u>\$ 307,629.62</u>
<u>Expenditures</u>					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	\$ 103,157.00	\$ (103,045.44)	\$ 111.56	\$ 111.56	\$
Kindergarten	44,127.00	80,964.46	125,091.46	124,625.93	465.53
Grades 1 - 5	313,571.00	61,787.77	375,358.77	372,475.03	2,883.74
Grades 6 - 8	126,504.00	67,996.12	194,500.12	194,030.10	470.02
Total Instruction - Regular Programs	<u>587,359.00</u>	<u>107,702.91</u>	<u>695,061.91</u>	<u>691,242.62</u>	<u>3,819.29</u>

EAST NEWARK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Salaries	\$ 91,000.00	\$	\$ 91,000.00	\$ 12,536.91	\$ 78,463.09
Other Salaries for Instruction	27,518.00	150,447.40	177,965.40	175,883.85	2,081.55
Purchased Professional/Educational Services	7,000.00		7,000.00	6,690.00	310.00
Other Purchased Services	23,484.00	(3,024.39)	20,459.61	14,996.34	5,463.27
General Supplies	80,000.00	244.57	80,244.57	50,092.33	30,152.24
Textbooks	28,000.00		28,000.00	25,247.72	2,752.28
Total Regular Programs - Undistributed Instruction	<u>257,002.00</u>	<u>147,667.58</u>	<u>404,669.58</u>	<u>285,447.15</u>	<u>119,222.43</u>
Total Regular Programs	<u>844,361.00</u>	<u>255,370.49</u>	<u>1,099,731.49</u>	<u>976,689.77</u>	<u>123,041.72</u>
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	89,593.00	85,665.00	175,258.00	152,976.92	22,281.08
Other Salaries	24,237.00	(24,237.00)			
Total Resource Room/Resource Center	<u>113,830.00</u>	<u>61,428.00</u>	<u>175,258.00</u>	<u>152,976.92</u>	<u>22,281.08</u>
Bilingual Education:					
Salaries of Teachers	58,225.00	(9,383.14)	48,841.86	48,425.94	415.92
Total Bilingual Education	<u>58,225.00</u>	<u>(9,383.14)</u>	<u>48,841.86</u>	<u>48,425.94</u>	<u>415.92</u>
School-Sponsored Cocurricular Activities:					
Salaries	13,034.00		13,034.00	1,754.87	11,279.13
Purchased Services		1,762.75	1,762.75	1,762.75	
Total School Sponsored Cocurricular Activities	<u>13,034.00</u>	<u>1,762.75</u>	<u>14,796.75</u>	<u>3,517.62</u>	<u>11,279.13</u>
Total - Instruction	<u>1,029,450.00</u>	<u>309,178.10</u>	<u>1,338,628.10</u>	<u>1,181,610.25</u>	<u>157,017.85</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA's Within the State - Regular	1,564,680.00	(53,401.08)	1,511,278.92	1,511,278.92	
Tuition to Other LEA's Within the State - Special	580,180.00	(172,565.53)	407,614.47	362,083.97	45,530.50
Tuition to Private Schools for the Disabled - Within State	99,500.00	5,954.48	105,454.48	93,737.68	11,716.80
Total Undistributed Expenditures - Instruction	<u>2,244,360.00</u>	<u>(220,012.13)</u>	<u>2,024,347.87</u>	<u>1,967,100.57</u>	<u>57,247.30</u>

EAST NEWARK SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Health Services:					
Salaries	\$ 70,146.00	\$ (21,803.00)	\$ 48,343.00	\$ 48,343.00	\$
Purchased Professional and Technical Services	4,400.00	700.28	5,100.28	5,100.28	
Supplies and Materials	3,500.00		3,500.00	825.82	2,674.18
Other Objects	500.00		500.00	327.00	173.00
Total Health Services	<u>78,546.00</u>	<u>(21,102.72)</u>	<u>57,443.28</u>	<u>54,596.10</u>	<u>2,847.18</u>
Speech:					
Salaries	45,561.00	4,227.16	49,788.16	388.16	49,400.00
Total Speech	<u>45,561.00</u>	<u>4,227.16</u>	<u>49,788.16</u>	<u>388.16</u>	<u>49,400.00</u>
Child Study Team:					
Salaries of Other Professional Staff	68,040.00	23,142.50	91,182.50	73,359.13	17,823.37
Purchased Professional - Education Services	48,000.00	25,682.35	73,682.35	63,379.85	10,302.50
Supplies and Materials	500.00	522.38	1,022.38	1,022.38	
Total Child Study Team	<u>116,540.00</u>	<u>49,347.23</u>	<u>165,887.23</u>	<u>137,761.36</u>	<u>28,125.87</u>
Salaries/Improvement of Instruction:					
Salaries - Support SVS - Instruction	66,586.00	1,040.00	67,626.00	67,405.00	221.00
Total Salaries/Improvement of Instruction	<u>66,586.00</u>	<u>1,040.00</u>	<u>67,626.00</u>	<u>67,405.00</u>	<u>221.00</u>
Media:					
Purchased Services	3,019.00		3,019.00	2,977.62	41.38
Total Media	<u>3,019.00</u>		<u>3,019.00</u>	<u>2,977.62</u>	<u>41.38</u>
Instructional Staff Training Services:					
Purchased Professional and Technical Services	3,600.00	65.00	3,665.00	814.00	2,851.00
Total Instructional Staff Training Services	<u>3,600.00</u>	<u>65.00</u>	<u>3,665.00</u>	<u>814.00</u>	<u>2,851.00</u>

EAST NEWARK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services General Administration:					
Salaries	\$ 60,500.00	\$ 2,000.08	\$ 62,500.08	\$ 62,499.85	\$ 0.23
Salaries – Treasurer	3,175.00		3,175.00	3,100.08	74.92
Legal Services	35,000.00	92.50	35,092.50	10,832.77	24,259.73
Audit Fees	31,500.00	30,450.00	61,950.00	59,950.00	2,000.00
Other Purchased Professional Services	12,763.00	5,745.13	18,508.13	18,508.13	
Purchased Technical Services	11,843.00		11,843.00	11,221.28	621.72
Communications/Telephone	19,000.00	4,264.45	23,264.45	23,264.45	
Travel	1,000.00		1,000.00		1,000.00
Miscellaneous Purchased Services	17,000.00	378.16	17,378.16	9,598.91	7,779.25
General Supplies	5,000.00		5,000.00	4,872.69	127.31
Training/Supplies	500.00		500.00		500.00
Miscellaneous Expenses	15,500.00	(9,457.02)	6,042.98	347.08	5,695.90
Board Dues	9,600.00		9,600.00	5,226.51	4,373.49
Total Support Services General Administration	<u>222,381.00</u>	<u>33,473.30</u>	<u>255,854.30</u>	<u>209,421.75</u>	<u>46,432.55</u>
Support Services School Administration:					
Salaries of Principals/Assistant Principals	60,500.00	11,069.83	71,569.83	71,569.83	
Salaries of Secretarial and Clerical Assistants	8,200.00	378.63	8,578.63	8,010.29	568.34
Supplies and Materials	6,000.00	63,162.17	69,162.17	69,162.17	
Total Support Services School Administration	<u>74,700.00</u>	<u>74,610.63</u>	<u>149,310.63</u>	<u>148,742.29</u>	<u>568.34</u>
Central Services:					
Salaries	<u>33,805.00</u>	<u>8,979.81</u>	<u>42,784.81</u>	<u>42,784.81</u>	
Total Central Services	<u>33,805.00</u>	<u>8,979.81</u>	<u>42,784.81</u>	<u>42,784.81</u>	
Allowable Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	<u>132,460.00</u>	<u>180.00</u>	<u>132,640.00</u>	<u>129,273.37</u>	<u>3,366.63</u>
Total Allowable Maintenance for School Facilities	<u>132,460.00</u>	<u>180.00</u>	<u>132,640.00</u>	<u>129,273.37</u>	<u>3,366.63</u>
Other Operations and Maintenance of Plant:					
Salaries	114,548.00	20,045.00	134,593.00	85,216.95	49,376.05
Cleaning, Repair and Maintenance Services	34,000.00	1,031.61	35,031.61	34,520.04	511.57
Rental of Land/Building	49,500.00	(31,773.36)	17,726.64	17,726.64	
Other Purchased Property Services	46,411.00	40,003.86	86,414.86	84,465.12	1,949.74
Insurance	85,289.00		85,289.00	80,085.00	5,204.00
General Supplies	8,700.00	1,073.47	9,773.47	9,773.47	
Energy (Heat and Electricity)	61,667.00	(48,342.87)	13,324.13	10,611.15	2,712.98
Total Other Operations and Maintenance of Plant	<u>400,115.00</u>	<u>(17,962.29)</u>	<u>382,152.71</u>	<u>322,398.37</u>	<u>59,754.34</u>

**EAST NEWARK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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>
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) - Regular	\$ 17,899.00	\$ (7,627.00)	\$ 10,272.00	\$ 49,342.28	\$ 10,272.00
Contracted Services (Special Education) - Vendors	63,228.00	(13,885.72)	49,342.28	49,342.28	
Other Objects	7,500.00		7,500.00	89.00	7,411.00
Total Student Transportation Services	<u>88,627.00</u>	<u>(21,512.72)</u>	<u>67,114.28</u>	<u>49,431.28</u>	<u>17,683.00</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	45,979.00	16,476.74	62,455.74	62,455.74	
Other Retirement Contributions - PERS	27,810.00	(27,810.00)			
Unemployment Benefits	20,340.00	(10,291.75)	10,048.25	10,048.25	
Workmen's Compensation	30,463.00	(30,006.10)	456.90	456.90	
Health Benefits	470,016.00	(46,625.82)	423,390.18	438,530.95	(15,140.77)
Total Unallocated Benefits - Employee Benefits	<u>594,608.00</u>	<u>(98,256.93)</u>	<u>496,351.07</u>	<u>511,491.84</u>	<u>(15,140.77)</u>
On-Behalf TPAF Pension Contributions (Nonbudgeted)				116,937.00	(116,937.00)
On-Behalf TPAF OPEB (Post-Retirement Medical) Contribution (Nonbudgeted)				97,435.00	(97,435.00)
On-Behalf TPAF Long-Term Disability Insurance				527.00	
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				66,737.99	(66,737.99)
Total On-Behalf Contributions				<u>281,636.99</u>	<u>(281,109.99)</u>
Total Unallocated Benefits and On-Behalf Contributions	<u>594,608.00</u>	<u>(98,256.93)</u>	<u>496,351.07</u>	<u>793,128.83</u>	<u>(296,250.76)</u>
Total Undistributed Expenditures	<u>4,104,908.00</u>	<u>(206,923.66)</u>	<u>3,897,984.34</u>	<u>3,926,223.51</u>	<u>(27,712.17)</u>
Total Expenditures - Current Expense	<u>5,134,358.00</u>	<u>102,254.44</u>	<u>5,236,612.44</u>	<u>5,107,833.76</u>	<u>129,305.68</u>
Total Expenditures	<u>5,134,358.00</u>	<u>102,254.44</u>	<u>5,236,612.44</u>	<u>5,107,833.76</u>	<u>129,305.68</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(249,480.00)</u>	<u>(81,688.44)</u>	<u>(331,168.44)</u>	<u>105,239.86</u>	<u>436,408.30</u>
Other Financing Sources (Uses):					
Capital Projects				(94,400.00)	(94,400.00)
Total Other Financing Sources (Uses)				<u>(94,400.00)</u>	<u>(94,400.00)</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(249,480.00)</u>	<u>(81,688.44)</u>	<u>(331,168.44)</u>	<u>10,839.86</u>	<u>342,008.30</u>
Fund Balances, July 1	<u>1,141,724.90</u>		<u>1,141,724.90</u>	<u>1,141,724.90</u>	
Fund Balances, June 30	<u>\$ 892,244.90</u>	<u>\$ (81,688.44)</u>	<u>\$ 810,556.46</u>	<u>\$ 1,152,564.76</u>	<u>\$ 342,008.30</u>

EAST NEWARK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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>
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 550,499.06	
Excess Surplus				34,788.43	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				272,024.00	
Committed Fund Balance:					
Year-End Encumbrances				41,953.27	
Unassigned Fund Balance				<u>253,300.00</u>	
Total				1,152,564.76	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				<u>342,646.54</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 809,918.22</u></u>	

EAST NEWARK SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES					
Federal Sources	\$ 345,161.00	\$ 6,359.82	\$ 351,520.82	\$ 267,128.54	\$ 84,392.28
State Sources	<u>153,672.00</u>	<u> </u>	<u>153,672.00</u>	<u>56,554.38</u>	<u>97,117.62</u>
Total Revenues	<u>\$ 498,833.00</u>	<u>\$ 6,359.82</u>	<u>\$ 505,192.82</u>	<u>\$ 323,682.92</u>	<u>\$ 181,509.90</u>
EXPENDITURES					
Instruction:					
Salaries of Teachers	\$ 280,623.00	\$	\$ 280,623.00	\$ 205,667.75	\$ 74,955.25
Other Salaries for Instruction	79,513.00		79,513.00	30,071.36	49,441.64
Purchased Professional/Technical Services	1,000.00	55.00	1,055.00	1,055.00	
Other Purchased Services		180.00	180.00	180.00	
Tuition	69,857.00	(3,702.18)	66,154.82	27,108.36	39,046.46
Supplies and Materials		6,400.00	6,400.00	6,400.00	
General Supplies	<u>10,671.00</u>	<u> </u>	<u>10,671.00</u>	<u>3,065.56</u>	<u>7,605.44</u>
Total Instruction	<u>441,664.00</u>	<u>2,932.82</u>	<u>444,596.82</u>	<u>273,548.03</u>	<u>171,048.79</u>
Support Services:					
Personnel Services - Employee Benefits	31,229.00		31,229.00	31,229.00	
Professional and Technical	10,396.00	3,427.00	13,823.00	12,905.89	917.11
Supplies and Materials	<u>15,544.00</u>	<u> </u>	<u>15,544.00</u>	<u>6,000.00</u>	<u>9,544.00</u>
Total Support Services	<u>57,169.00</u>	<u>3,427.00</u>	<u>60,596.00</u>	<u>50,134.89</u>	<u>10,461.11</u>
Total Expenditures	<u>\$ 498,833.00</u>	<u>\$ 6,359.82</u>	<u>\$ 505,192.82</u>	<u>\$ 323,682.92</u>	<u>\$ 181,509.90</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

**EAST NEWARK SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Explanation of Differences between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	C-1	\$ 5,213,073.62	C-2	\$323,682.92
Difference - Budget-to-GAAP:				
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		339,580.12		6,668.88
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		<u>(342,646.54)</u>		<u>(3,334.46)</u>
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	B-2	<u>\$ 5,210,007.20</u>	B-2	<u>\$327,017.34</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	C-1	<u>\$ 5,107,833.76</u>	C-2	<u>\$323,682.92</u>
Total expenditures as reported on the statement of revenue, expenditures, and changes in fund balances - governmental funds	B-2	<u>\$ 5,107,833.76</u>	B-2	<u>\$323,682.92</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

Note: GASB 68 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(Unaudited)

	For the Fiscal Years Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.37129152%	0.20270275%	0.158154150%	0.19599735%
District's proportionate share of the net pension liability (asset)	\$ 1,099,659	\$ 455,027	\$ 296,108	\$ 374,590
State's proportionate share of the net pension liability (asset) associated with the District	<u>29,617,131,759</u>	<u>22,447,996,119</u>	<u>18,722,735,003</u>	<u>19,111,986,911</u>
Total	<u>\$ 29,618,231,418</u>	<u>\$ 22,448,451,146</u>	<u>\$ 18,723,031,111</u>	<u>\$ 19,112,361,501</u>
District's covered-employee payroll	\$ 131,480	\$ 138,270	\$ 108,100	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	836.37%	329.09%	273.92%	*
Plan fiduciary net position as a percentage of the total pension liability	51.82%	47.93%	52.08%	48.72%

*Data was Not Provided by School District.

**EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(Unaudited)**

	For the Fiscal Years Ending June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 32,985	\$ 17,477	\$ 13,038	\$ 14,768
Contributions in relation to the contractually required contribution	<u>(32,985)</u>	<u>(17,477)</u>	<u>(13,038)</u>	<u>(14,768)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 136,984	\$131,480	\$138,270	\$108,100
Contributions as a percentage of covered-employee payroll	4.15%	7.52%	10.61%	7.32%

EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
(Unaudited)

	For the Fiscal Years Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.095%	0.007%	1.022%	1.005%
District's proportionate share of the net pension liability (asset)	\$ 8,615,544	\$ 4,498,469	\$ 5,461,704	\$ 5,079,168
State's proportionate share of the net pension liability (asset) associated with the District	<u>78,666,367,052</u>	<u>63,204,270,305</u>	<u>53,446,745,367</u>	<u>50,539,213,484</u>
Total	<u>\$ 78,674,982,596</u>	<u>\$ 63,208,768,774</u>	<u>\$ 53,452,207,071</u>	<u>\$ 50,544,292,652</u>
District's covered-employee payroll	\$ 935,681.00	\$ 927,776.00	\$ 885,285	*
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	920.78%	484.87%	616.94%	*
Plan fiduciary net position as a percentage of the total pension liability	26.86%	28.71%	33.64%	33.76%

* Data was not provided by School District.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

**EAST NEWARK SCHOOL DISTRICT
COUNTY OF HUDSON**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of Benefit Terms and Changes of Assumptions

Refer to Note 8 on the Notes to Financial Statements for benefits and assumptions.

OTHER SUPPLEMENTARY INFORMATION

D. SCHOOL BASED BUDGET SCHEDULES (IF APPLICABLE)

E. SPECIAL REVENUE FUND

EAST NEWARK SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	IASA Title I Basic	Preschool Education	Title II A Basic	Title III	I.D.E.A. Part B Basic	Title III Carryover	Totals FY 2017
REVENUES							
State Sources	\$	\$ 56,554.38	\$	\$	\$	\$	\$ 56,554.38
Federal Sources	214,714.29		6,000.00	12,905.89	27,108.36	6,400.00	267,128.54
Total Revenues	<u>\$214,714.29</u>	<u>\$ 56,554.38</u>	<u>\$ 6,000.00</u>	<u>\$ 12,905.89</u>	<u>\$ 27,108.36</u>	<u>\$ 6,400.00</u>	<u>\$ 323,682.92</u>
EXPENDITURES							
Instruction:							
Salaries of Teachers	\$ 183,485.29	\$ 22,182.46	\$	\$	\$	\$	\$ 205,667.75
Other Salaries for Instruction		30,071.36					30,071.36
Purchased Professional and Technical Services		1,055.00					1,055.00
Other Purchased Services (400-500 Series)		180.00					180.00
Tuition					27,108.36		27,108.36
Supplies and Materials						6,400.00	6,400.00
General Supplies		3,065.56					3,065.56
Total Instruction	<u>183,485.29</u>	<u>56,554.38</u>			<u>27,108.36</u>	<u>6,400.00</u>	<u>273,548.03</u>
Support Services:							
Personnel Services - Employee Benefits	31,229.00						31,229.00
Professional and Technical Services				12,905.89			12,905.89
Supplies and Materials			6,000.00				6,000.00
Total Support Services	<u>31,229.00</u>		<u>6,000.00</u>	<u>12,905.89</u>			<u>50,134.89</u>
Total Expenditures	<u>\$214,714.29</u>	<u>\$ 56,554.38</u>	<u>\$ 6,000.00</u>	<u>\$ 12,905.89</u>	<u>\$ 27,108.36</u>	<u>\$ 6,400.00</u>	<u>\$ 323,682.92</u>

EAST NEWARK SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
<u>Expenditures</u>			
Instruction:			
Salaries of Teachers	\$48,088.00	\$ 22,182.46	\$25,905.54
Other Salaries for Instruction	14,000.00	30,071.36	(16,071.36)
Purchased Professional and Technical Services	1,000.00	1,055.00	(55.00)
Other Purchased Services (400-500 Series)	1,000.00	180.00	820.00
General Supplies	2,800.00	3,065.56	(465.56)
Total Instruction	<u>66,688.00</u>	<u>56,554.38</u>	<u>10,133.62</u>
 Total	 <u>\$66,688.00</u>	 <u>\$ 56,554.38</u>	 <u>\$10,133.62</u>
 Total Revised 2016-17 Preschool Education Aid Allocation			 \$33,344.00
Add: Actual Preschool Education Aid Carryover (June 30, 2016)			<u>39,669.10</u>
Total Preschool Education Aid Funds Available for 2016-17 Budget			73,013.10
Less: 2016-17 Budgeted Preschool Education Aid (Including Prior Year Budget Carryover)			<u>66,688.00</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2017			6,325.10
Add: June 30, 2017 Unexpended Preschool Education Aid			<u>10,133.62</u>
2016-17 Carryover - Preschool Education Aid Programs			<u>\$16,458.72</u>
2016-17 Preschool Education Aid Carryover Budgeted for Preschool Programs 2017-2018			<u>\$ -</u>

F. CAPITAL PROJECTS FUND

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Project Title/Issue</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Appropriation June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Roof Repairs	January 16, 2011	\$136,000.00	\$ 133,370.78	\$	\$ 2,629.22
Architectural Services	July 10, 2011	48,000.00	47,551.93		448.07
Construction Services	July 10, 2011	517,000.00	514,345.23		2,654.77
Floor Replacement	April 2016	64,000.00	55,437.50	8,562.50	
Architectural Services	November 2016	27,120.50		3,000.00	24,120.50
Floor Tiling Throughout Building	November 2016	67,279.50		28,707.00	38,572.50
			<u>\$ 750,705.44</u>	<u>\$ 40,269.50</u>	<u>\$ 68,425.06</u>

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources:	
Transfer from Capital Reserve	\$ 94,400.00
Total Revenues	<u>94,400.00</u>
Expenditures and Other Financing Sources:	
Purchased Professional and Technical Services	3,000.00
Construction Services	<u>37,269.50</u>
	<u>40,269.50</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	54,130.50
Fund Balance - Beginning	<u>14,294.56</u>
Fund Balance - Ending	<u>\$ 68,425.06</u>

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
ROOF REPAIRS
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$ 136,000.00	\$	\$ 136,000.00	\$ 136,000.00
Total Revenues	<u>136,000.00</u>		<u>136,000.00</u>	<u>136,000.00</u>
Expenditures and Other Financing Uses:				
Construction Services	133,370.78		133,370.78	136,000.00
Total Expenditures	<u>133,370.78</u>		<u>133,370.78</u>	<u>136,000.00</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 2,629.22</u>	<u>\$ -</u>	<u>\$ 2,629.22</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	1/16/2011			
Bond Authorization Date	1/16/2011			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 136,000.00			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$ 136,000.00			
Percentage Increase Over Original Authorized Cost				
Percentage Completion	N/A			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
ARCHITECTURAL SERVICES
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$48,000.00	\$	\$48,000.00	\$48,000.00
Total Revenues	<u>48,000.00</u>		<u>48,000.00</u>	<u>48,000.00</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services	47,551.93		47,551.93	48,000.00
Total Expenditures	<u>47,551.93</u>		<u>47,551.93</u>	<u>48,000.00</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 448.07</u>	<u>\$ -</u>	<u>\$ 448.07</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	7/10/2011			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$48,000.00			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$48,000.00			
Percentage Increase Over Original Authorized Cost				
Percentage Completion	N/A			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
CONSTRUCTION SERVICES
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$ 517,000.00	\$	\$ 517,000.00	\$ 517,000.00
Total Revenues	<u>517,000.00</u>		<u>517,000.00</u>	<u>517,000.00</u>
Expenditures and Other Financing Uses:				
Construction Services	514,345.23		514,345.23	517,000.00
Total Expenditures	<u>514,345.23</u>		<u>514,345.23</u>	<u>517,000.00</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 2,654.77</u>	<u>\$ -</u>	<u>\$ 2,654.77</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	7/10/2011			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 517,000.00			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$ 517,000.00			
Percentage Increase Over Original Authorized Cost				
Percentage Completion	N/A			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
FLOOR REPLACEMENT
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$ 64,000.00	\$	\$ 64,000.00	\$ 64,000.00
Total Revenues	<u>64,000.00</u>		<u>64,000.00</u>	<u>64,000.00</u>
Expenditures and Other Financing Uses:				
Construction Services	55,437.50	8,562.50	64,000.00	64,000.00
Total Expenditures	<u>55,437.50</u>	<u>8,562.50</u>	<u>64,000.00</u>	<u>64,000.00</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 8,562.50</u>	<u>\$ (8,562.50)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 64,000.00			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$ 64,000.00			
Percentage Increase Over Original Authorized Cost				
Percentage Completion	N/A			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
ARCHITECTURAL SERVICES
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$	\$ 27,120.50	\$ 27,120.50	\$ 27,120.50
Total Revenues		<u>27,120.50</u>	<u>27,120.50</u>	<u>27,120.50</u>
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services		3,000.00	3,000.00	27,120.50
Total Expenditures		<u>3,000.00</u>	<u>3,000.00</u>	<u>27,120.50</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 24,120.50</u>	<u>\$ 24,120.50</u>	<u>\$ -</u>
Additional Project Information:				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost		\$ 27,120.50		
Additional Authorized Cost		N/A		
Revised Authorized Cost		\$ 27,120.50		
Percentage Increase Over Original Authorized Cost				
Percentage Completion		N/A		
Original Target Completion Date		N/A		
Revised Target Completion Date		N/A		

**EAST NEWARK SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS
FLOOR TILING THROUGHOUT BUILDING
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>
Revenues and Other Financing Sources:				
Transfer from Capital Reserve	\$	\$ 67,279.50	\$ 67,279.50	\$ 67,279.50
Total Revenues		<u>67,279.50</u>	<u>67,279.50</u>	<u>67,279.50</u>
Expenditures and Other Financing Uses:				
Construction Services		28,707.00	28,707.00	67,279.50
Total Expenditures		<u>28,707.00</u>	<u>28,707.00</u>	<u>67,279.50</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 38,572.50</u>	<u>\$ 38,572.50</u>	<u>\$ -</u>
Additional Project Information:				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost		\$ 67,279.50		
Additional Authorized Cost		N/A		
Revised Authorized Cost		\$ 67,279.50		
Percentage Increase Over Original Authorized Cost				
Percentage Completion		N/A		
Original Target Completion Date		N/A		

G. PROPRIETARY FUNDS

ENTERPRISE FUND

**EAST NEWARK SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	<u>Business-Type Activities Enterprise Fund Food Service</u>
Current Assets:	
Cash and Cash Equivalents	\$ 788.42
Interfunds Receivable	165,368.91
Accounts Receivable:	
State Sources	129.45
Federal Sources	9,988.20
Inventories	4,209.26
Total Current Assets	<u>180,484.24</u>
Total Assets	<u>\$ 180,484.24</u>
<u>LIABILITIES</u>	
Due to Federal Government	\$ 16.53
Accounts Payable	<u>10,059.06</u>
Total Liabilities	<u>\$ 10,075.59</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 170,408.65</u>
Total Net Position	<u>\$ 170,408.65</u>

**EAST NEWARK SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities <u>Enterprise Fund</u> Food <u>Service</u>
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 10,719.80
Daily Sales - Non-reimbursable Programs	14,024.60
Total Operating Revenues	<u>24,744.40</u>
Operating Expenses:	
Cost of Sales	78,581.98
Salaries	47,577.96
Other Purchased Services	16,115.54
Management Fee	7,031.00
Total Operating Expenses	<u>149,306.48</u>
Operating Loss	<u>(124,562.08)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	1,863.30
Federal Sources:	
National School Lunch Program	98,332.93
National School Breakfast Program	39,799.19
HHFK Program	2,105.76
Interest Revenue	15.60
Rebates	269.18
Total Nonoperating Revenues	<u>142,385.96</u>
Change in Net Position	17,823.88
Total Net Position - Beginning	<u>152,584.77</u>
Total Net Position - Ending	<u>\$ 170,408.65</u>

**EAST NEWARK SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities Enterprise Fund Food Service</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 25,286.33
Payments to Vendors	<u>(157,212.66)</u>
Net Cash Used for Operating Activities	<u>(131,926.33)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
State and Federal Sources	217,312.23
Interfunds	(74,941.87)
Interest Earned	<u>15.60</u>
Net Cash Provided by Noncapital Financing Activities	<u>142,385.96</u>
Net Increase in Cash and Cash Equivalents	10,459.63
Balances - Beginning of Year	<u>(9,671.21)</u>
Balances - End of Year	<u>\$ 788.42</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Operating Loss	<u>\$ (124,562.08)</u>
Adjustments to Reconcile Operating Loss to Cash Used by Operating Activities:	
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(6,116.21)
(Increase)/Decrease in Inventory	(861.21)
Increase/(Decrease) in Accounts Payable	<u>(386.83)</u>
Total Adjustments	<u>(7,364.25)</u>
Net Cash Used by Operating Activities	<u>\$ (131,926.33)</u>

INTERNAL SERVICE FUND

H. FIDUCIARY FUNDS

**EAST NEWARK SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

<u>ASSETS</u>	<u>Agency Fund</u>
Cash and Cash Equivalents	\$ 25,356.53
Accounts Receivable	<u>50,952.00</u>
Total Assets	<u>\$ 76,308.53</u>
<u>LIABILITIES</u>	
Payable to Student Groups	\$ 6,203.81
Interfunds Payable	68,798.47
Payroll Deductions and Withholdings, Net Salaries	<u>1,306.25</u>
Total Liabilities	<u>76,308.53</u>
<u>NET POSITION</u>	<u>\$ -</u>

**EAST NEWARK SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Elementary School: Student Activity Fund	<u>\$ 8,417.58</u>	<u>\$21,898.23</u>	<u>\$ 24,112.00</u>	<u>\$ 6,203.81</u>
Total	<u><u>\$ 8,417.58</u></u>	<u><u>\$21,898.23</u></u>	<u><u>\$ 24,112.00</u></u>	<u><u>\$ 6,203.81</u></u>

**EAST NEWARK SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>ASSETS</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Cash and Cash Equivalents	\$ 23,371.53	\$1,919,640.90	\$1,923,859.71	\$ 19,152.72
Accounts Receivable	17,427.00	33,525.00		50,952.00
Total Assets	\$ 40,798.53	\$1,953,165.90	\$1,923,859.71	\$ 70,104.72
 <u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 175.05	\$ 839,981.90	\$ 840,038.35	\$ 118.60
Interfunds Payable - Net Payroll	15,525.88	4,115.77		19,641.65
Interfunds Payable - Agency	23,938.10	25,218.72		49,156.82
Net Salaries and Wages	1,159.50	1,083,849.51	1,083,821.36	1,187.65
Total Liabilities	\$ 40,798.53	\$1,953,165.90	\$1,923,859.71	\$ 70,104.72

I. LONG-TERM DEBT

STATISTICAL SECTION (UNAUDITED)

INTRODUCTION TO THE STATISTICAL SECTION

FINANCIAL TRENDS

**EAST NEWARK SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
Unaudited**

J-1

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 176,873.00	\$ 170,822.00	\$ 208,725.00	\$ 195,595.00	\$ 527,620.00	\$ 908,028.00	\$ 1,062,957.55	\$ 1,030,189.13	\$ 1,041,545.63	\$ 1,037,734.13
Restricted	1,458,450.82	1,872,915.87	1,710,683.92	1,934,274.02	1,872,750.92	2,113,467.71	1,375,337.86	1,324,935.37	968,530.26	967,689.82
Unrestricted	<u>(28,309.85)</u>	<u>(135,528.06)</u>	<u>(271,743.47)</u>	<u>(287,520.76)</u>	<u>132,837.53</u>	<u>(312,972.71)</u>	<u>(392,961.96)</u>	<u>(755,806.76)</u>	<u>(687,768.77)</u>	<u>(770,878.97)</u>
Total Governmental Activities Net Position	<u>\$ 1,607,013.97</u>	<u>\$ 1,908,209.81</u>	<u>\$ 1,647,665.45</u>	<u>\$ 1,842,348.26</u>	<u>\$ 2,533,208.45</u>	<u>\$ 2,708,523.00</u>	<u>\$ 2,045,333.45</u>	<u>\$ 1,589,317.74</u>	<u>\$ 1,322,307.12</u>	<u>\$ 1,234,544.98</u>
Business-Type Activities:										
Unrestricted	<u>\$ 59,374.93</u>	<u>\$ 82,292.55</u>	<u>\$ 110,781.07</u>	<u>\$ 128,718.92</u>	<u>\$ 130,451.93</u>	<u>\$ 150,634.58</u>	<u>\$ 177,482.16</u>	<u>\$ 178,427.64</u>	<u>\$ 152,584.77</u>	<u>\$ 170,408.65</u>
Total Business-Type Activities Net Position	<u>\$ 59,374.93</u>	<u>\$ 82,292.55</u>	<u>\$ 110,781.07</u>	<u>\$ 128,718.92</u>	<u>\$ 130,451.93</u>	<u>\$ 150,634.58</u>	<u>\$ 177,482.16</u>	<u>\$ 178,427.64</u>	<u>\$ 152,584.77</u>	<u>\$ 170,408.65</u>
District-Wide:										
Invested in Capital Assets, Net of Related Debt	\$ 176,873.00	\$ 170,822.00	\$ 208,725.00	\$ 195,595.00	\$ 527,620.00	\$ 908,028.00	\$ 1,062,957.55	\$ 1,030,189.13	\$ 1,041,545.63	\$ 1,037,734.13
Restricted	1,458,450.82	1,872,915.87	1,710,683.92	1,934,274.02	1,872,750.92	2,113,467.71	1,375,337.86	1,324,935.37	968,530.26	967,689.82
Unrestricted	<u>31,065.08</u>	<u>(53,235.51)</u>	<u>(160,962.40)</u>	<u>(158,801.84)</u>	<u>263,289.46</u>	<u>(162,338.13)</u>	<u>(215,479.80)</u>	<u>(577,379.12)</u>	<u>(535,184.00)</u>	<u>(600,470.32)</u>
Total District-Wide Net Position	<u>\$ 1,666,388.90</u>	<u>\$ 1,990,502.36</u>	<u>\$ 1,758,446.52</u>	<u>\$ 1,971,067.18</u>	<u>\$ 2,663,660.38</u>	<u>\$ 2,859,157.58</u>	<u>\$ 2,222,815.61</u>	<u>\$ 1,777,745.38</u>	<u>\$ 1,474,891.89</u>	<u>\$ 1,404,953.63</u>

Source: CAFR Exhibit A-1

EAST NEWARK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Unaudited

J-2
Sheet #1

	Fiscal Year Ending June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Instruction:										
Regular	\$ 1,380,627.11	\$ 1,454,330.14	\$ 1,474,691.44	\$ 1,197,759.30	\$ 1,529,286.01	\$ 1,374,938.92	\$ 1,703,837.67	\$ 1,461,853.35	\$ 1,391,880.38	\$ 1,859,868.28
Special Education	233,506.04	130,187.72	171,493.13	260,608.18	203,866.84	329,727.56	296,077.41	289,867.37	606,163.01	315,957.65
Support Services:										
Tuition	1,741,031.50	1,722,594.05	1,637,497.78	1,711,245.04	1,913,567.13	2,088,788.76	2,910,763.78	2,341,058.54	2,422,723.32	1,967,100.57
Student and Instruction Related Services	408,221.73	418,597.40	349,304.69	388,911.38	340,876.61	397,904.01	483,730.25	475,852.23	463,529.34	386,418.01
School Administrative Services	147,874.02	123,473.87	101,922.89	132,527.94	91,700.42	213,230.51	280,735.84	328,225.01	208,924.10	245,275.82
Other Administrative Services	243,053.23	215,826.00	251,691.66	258,473.16	220,403.79	127,540.50	139,991.65	104,017.63	136,134.86	192,237.32
Central Services							46,691.34	70,233.85	81,450.10	66,169.13
Plant Operations and Maintenance	222,432.56	241,704.25	239,447.47	295,045.67	287,349.87	345,406.97	357,184.47	364,283.41	391,454.31	498,247.62
Pupil Transportation	103,254.10	77,330.46	117,419.51	98,177.14	74,083.55	52,155.85	52,403.71	65,539.88	80,800.94	49,431.28
Capital Outlay		192,925.92	184,428.18	209,887.74	0.08	146.62				
Unallocated Depreciation	6,051.00	6,051.00	10,678.00	57,772.00	44,081.00	14,877.00	44,081.00	44,081.00	44,081.00	44,081.00
Total Governmental Activities	<u>4,486,051.29</u>	<u>4,583,020.81</u>	<u>4,538,574.75</u>	<u>4,610,407.55</u>	<u>4,705,215.30</u>	<u>4,944,716.70</u>	<u>6,315,497.12</u>	<u>5,545,012.27</u>	<u>5,827,141.36</u>	<u>5,624,786.68</u>
Business-Type Activities:										
Enterprise Fund	66,092.64	83,725.18	97,163.64	103,207.59	119,292.27	119,120.41	165,738.15	182,364.53	194,419.25	149,306.48
Total Business-Type Activities	<u>66,092.64</u>	<u>83,725.18</u>	<u>97,163.64</u>	<u>103,207.59</u>	<u>119,292.27</u>	<u>119,120.41</u>	<u>165,738.15</u>	<u>182,364.53</u>	<u>194,419.25</u>	<u>149,306.48</u>
TOTAL DISTRICT EXPENSES	<u>\$ 4,552,143.93</u>	<u>\$ 4,666,745.99</u>	<u>\$ 4,635,738.39</u>	<u>\$ 4,713,615.14</u>	<u>\$ 4,824,507.57</u>	<u>\$ 5,063,837.11</u>	<u>\$ 6,481,235.27</u>	<u>\$ 5,727,376.80</u>	<u>\$ 6,021,560.61</u>	<u>\$ 5,774,093.16</u>
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	\$ 742,587.53	\$ 488,430.55	\$ 499,608.90	\$ 448,721.81	\$ 849,648.53	\$ 480,223.22	\$ 673,322.87	\$ 519,742.25	\$ 674,305.49	\$ 755,743.33
Total Governmental Activities Program Revenues	<u>742,587.53</u>	<u>488,430.55</u>	<u>499,608.90</u>	<u>448,721.81</u>	<u>849,648.53</u>	<u>480,223.22</u>	<u>673,322.87</u>	<u>519,742.25</u>	<u>674,305.49</u>	<u>755,743.33</u>
Business-Type Activities:										
Operating Grants and Contributions							173,594.61	162,301.07	145,617.54	142,101.16
Charges for Services	85,952.84	106,642.80	125,652.16	121,145.44	121,025.28	139,303.06	19,423.93	20,914.04	22,926.10	24,744.40
Total Business-Type Activities Program Revenues	<u>85,952.84</u>	<u>106,642.80</u>	<u>125,652.16</u>	<u>121,145.44</u>	<u>121,025.28</u>	<u>139,303.06</u>	<u>193,018.54</u>	<u>183,215.11</u>	<u>168,543.64</u>	<u>166,845.58</u>
TOTAL DISTRICT PROGRAM REVENUES	<u>\$ 828,540.37</u>	<u>\$ 595,073.35</u>	<u>\$ 625,261.06</u>	<u>\$ 569,867.25</u>	<u>\$ 970,673.81</u>	<u>\$ 619,526.28</u>	<u>\$ 866,341.41</u>	<u>\$ 702,957.36</u>	<u>\$ 842,849.13</u>	<u>\$ 922,588.91</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ (3,743,463.76)	\$ (4,094,590.26)	\$ (4,038,965.85)	\$ (4,161,685.74)	\$ (3,855,566.77)	\$ (4,464,493.48)	\$ (5,642,174.25)	\$ (5,025,270.02)	\$ (5,152,835.87)	\$ (4,869,043.35)
Business-Type Activities	19,860.20	22,917.62	28,488.52	17,937.85	1,733.01	20,182.65	27,280.39	850.58	(25,875.61)	17,539.10
Total District-Wide Net Expense	<u>\$ (3,723,603.56)</u>	<u>\$ (4,071,672.64)</u>	<u>\$ (4,010,477.33)</u>	<u>\$ (4,143,747.89)</u>	<u>\$ (3,853,833.76)</u>	<u>\$ (4,444,310.83)</u>	<u>\$ (5,614,893.86)</u>	<u>\$ (5,024,419.44)</u>	<u>\$ (5,178,711.48)</u>	<u>\$ (4,851,504.25)</u>

**EAST NEWARK SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Unaudited**

J-2
Sheet #2

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 1,175,759.00	\$ 1,175,758.00	\$ 1,175,758.00	\$ 1,222,788.00	\$ 1,247,245.00	\$ 1,272,190.00	\$ 1,272,190.00	\$ 1,397,000.00	\$ 1,424,940.00	\$ 1,453,439.00
Federal and State Aid - Not Restricted	2,387,990.00	3,037,559.00	2,470,969.00	3,088,121.00	3,271,390.00	3,312,061.00	3,626,955.55	3,408,164.58	3,420,459.00	3,300,149.58
Miscellaneous Income	97,593.79	182,469.10	146,969.49	45,459.55	27,791.56	55,557.03	79,839.15	133,911.73	30,426.25	27,692.63
Total Governmental Activities	<u>3,661,341.79</u>	<u>4,395,786.10</u>	<u>3,793,596.49</u>	<u>4,356,368.55</u>	<u>4,546,426.96</u>	<u>4,639,808.03</u>	<u>4,978,984.70</u>	<u>4,939,076.31</u>	<u>4,875,825.25</u>	<u>4,781,281.21</u>
Business-Type Activities:										
Miscellaneous Income								94.90	32.74	284.78
Total District-Wide	<u>\$ 3,661,341.79</u>	<u>\$ 4,395,786.10</u>	<u>\$ 3,793,596.49</u>	<u>\$ 4,356,368.55</u>	<u>\$ 4,546,426.96</u>	<u>\$ 4,639,808.03</u>	<u>\$ 4,978,984.70</u>	<u>\$ 4,939,171.21</u>	<u>\$ 4,875,857.99</u>	<u>\$ 4,781,565.99</u>
Change in Net Position:										
Governmental Activities	\$ (82,121.97)	\$ 301,195.84	\$ (245,369.36)	\$ 194,682.81	\$ 690,860.19	\$ 175,314.55	\$ (663,189.55)	\$ (86,193.71)	\$ (277,010.62)	\$ (87,762.14)
Business-Type Activities	19,860.20	22,917.62	28,488.52	17,937.85	1,733.01	20,182.65	27,280.39	945.48	(25,842.87)	17,823.88
Total District	<u>\$ (62,261.77)</u>	<u>\$ 324,113.46</u>	<u>\$ (216,880.84)</u>	<u>\$ 212,620.66</u>	<u>\$ 692,593.20</u>	<u>\$ 195,497.20</u>	<u>\$ (635,909.16)</u>	<u>\$ (85,248.23)</u>	<u>\$ (302,853.49)</u>	<u>\$ (69,938.26)</u>

Source: CAFR Schedule A-2

EAST NEWARK SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 Unaudited

J-3

	Fiscal Year Ending June 30.									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$1,458,450.82	\$1,872,915.87	\$1,710,683.92	\$1,934,274.02	\$1,872,750.92	\$2,113,467.71	\$1,369,605.80	\$1,321,203.31	\$ 954,235.70	\$ 899,264.76
Unreserved	165,209.00	48,540.00	(65,117.44)	(52,492.87)	333,689.91	(69,310.64)	(143,465.03)	(196,625.79)	(152,090.92)	(89,346.54)
Total General Fund	<u>\$1,623,659.82</u>	<u>\$1,921,455.87</u>	<u>\$1,645,566.48</u>	<u>\$1,881,781.15</u>	<u>\$2,206,440.83</u>	<u>\$2,044,157.07</u>	<u>\$1,226,140.77</u>	<u>\$1,124,577.52</u>	<u>\$ 802,144.78</u>	<u>\$ 809,918.22</u>

Source: CAFR Schedule B-1

EAST NEWARK SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
Unaudited

J-4

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax Levy	\$ 1,175,758.00	\$ 1,175,758.00	\$ 1,175,758.00	\$ 1,222,788.00	\$ 1,247,245.00	\$ 1,272,190.00	\$ 1,272,190.00	\$ 1,397,000.00	\$ 1,424,940.00	\$ 1,453,439.00
Miscellaneous	97,593.79	182,468.10	146,869.49	45,459.55	27,791.96	55,557.03	79,839.15	133,911.73	30,426.25	27,692.63
State Sources	2,868,360.72	3,292,693.76	2,075,122.71	3,242,194.87	3,458,837.74	3,563,500.09	3,706,741.36	3,611,500.81	3,731,291.42	3,788,764.37
Federal Sources	262,216.81	233,295.79	802,109.78	294,647.94	662,200.79	228,784.13	593,537.06	325,406.02	363,473.07	267,128.54
Total Revenues	<u>4,403,929.32</u>	<u>4,884,216.65</u>	<u>4,199,859.98</u>	<u>4,805,090.36</u>	<u>5,396,075.49</u>	<u>5,120,031.25</u>	<u>5,652,307.57</u>	<u>5,467,818.56</u>	<u>5,550,130.74</u>	<u>5,537,024.54</u>
Expenditures:										
Instruction:										
Regular	1,066,549.70	1,112,995.99	1,079,275.58	888,842.29	1,196,103.95	971,110.16	1,287,770.74	1,101,009.42	1,002,016.19	1,250,237.80
Special Education Instruction	114,913.16	49,038.70	20,181.92	84,805.68	54,221.43	115,296.87	51,628.54	119,717.45	240,492.71	152,976.92
Other Special Instruction		48,198.13	98,593.68	95,933.11	89,139.60	106,657.71	128,175.84	64,656.69	181,614.42	48,425.94
Other Instruction		10,591.57	6,917.90	9,153.50	11,030.55	7,824.66	9,348.39	7,499.70	4,999.58	3,517.62
Support Services:										
Tuition	1,741,031.50	1,722,594.05	1,634,194.66	1,711,245.04	1,913,567.13	2,088,788.76	2,910,763.78	2,341,058.54	2,422,723.32	1,967,100.57
Student and Instruction Related Services	328,295.62	340,425.60	280,568.08	318,741.35	277,850.08	299,205.84	383,747.06	375,147.53	369,908.18	282,848.13
General Administrative Services	110,285.66	93,457.92	73,894.54	84,675.13	69,334.56	182,486.19	255,236.81	285,355.57	188,175.15	209,421.75
Other Administrative Services - Central Services	201,652.38	184,207.24	215,514.32	242,689.72	205,784.26	112,563.97	105,022.24	79,414.93	91,757.78	148,742.29
Plant Operations and Maintenance	206,785.48	225,112.78	222,655.73	278,001.08	260,867.89	322,083.44	325,161.96	337,217.05	391,454.31	451,671.74
Pupil Transportation	97,704.95	70,917.27	111,156.01	91,115.77	68,682.87	45,108.87	52,403.71	63,164.43	55,472.64	49,431.28
Employee Benefits	598,338.89	535,955.43	533,193.77	509,143.28	548,727.41	635,756.92	728,348.73	730,015.62	852,175.44	824,357.83
Capital Outlay		192,925.92	184,428.18	254,529.74	376,106.08	395,431.62	199,010.55	11,312.58	55,437.50	40,269.50
Total Expenditures	<u>4,465,557.34</u>	<u>4,586,420.60</u>	<u>4,460,574.37</u>	<u>4,568,875.69</u>	<u>5,071,415.81</u>	<u>5,282,315.01</u>	<u>6,470,426.67</u>	<u>5,567,714.95</u>	<u>5,916,501.86</u>	<u>5,471,786.18</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(61,628.02)</u>	<u>297,796.05</u>	<u>(260,714.39)</u>	<u>236,214.67</u>	<u>324,659.68</u>	<u>(162,283.76)</u>	<u>(818,119.10)</u>	<u>(99,896.39)</u>	<u>(366,371.12)</u>	<u>65,238.36</u>
Net Change in Fund Balances	<u>\$ (61,628.02)</u>	<u>\$ 297,796.05</u>	<u>\$ (260,714.39)</u>	<u>\$ 236,214.67</u>	<u>\$ 324,659.68</u>	<u>\$ (162,283.76)</u>	<u>\$ (818,119.10)</u>	<u>\$ (99,896.39)</u>	<u>\$ (366,371.12)</u>	<u>\$ 65,238.36</u>

Source: CAFR Schedule B-2

EAST NEWARK SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
Unaudited

J-5

<u>Fiscal Year Ended June 30</u>	<u>E-Rates</u>	<u>Insurance Co-Payments</u>	<u>Budget Refunds</u>	<u>Prior Year Voided Checks</u>	<u>Insurance Rebates</u>	<u>Interest on Investments</u>	<u>Interest on Investments Capital Reserve</u>	<u>Prior Year Deferred Inflows</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$6,240.00	\$	\$ 18,110.85	\$	\$	\$ 29,008.38	\$ 34,273.30	\$	\$ 9,961.26	\$ 97,593.79
2009			1,123.98			11,355.34	13,744.20	143,611.63	12,633.95	182,469.10
2010	6,401.94		15,960.70	92,354.01		10,199.83			13,815.21	138,731.69
2011	6,371.58		18,567.89	206.23		4,397.61	5,336.92		10,579.32	45,459.55
2012	5,894.52		3,589.27			4,192.58	3,342.37		10,773.22	27,791.96
2013						3,254.48	2,801.77		49,500.78	55,557.03
2014	3,059.96					3,390.21	1,379.55		72,009.43	79,839.15
2015						1,588.67			132,323.06	133,911.73
2016						2,380.41			28,045.84	30,426.25
2017						1,493.83			26,198.80	27,692.63

Source: District Records

REVENUE CAPACITY

EAST NEWARK SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
Unaudited

J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Req.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property *	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2007	\$ 558,400	\$ 25,228,900	\$	\$	\$ 2,762,500	\$ 9,650,500	\$ 1,494,300	\$ 39,694,600	\$ -	\$ 20,073	\$ 39,714,673	\$133,928,479	\$2.667
2008	558,400	25,638,894			2,668,000	9,650,500	1,494,300	40,010,094		19,690	40,029,984	160,780,758	2.875
2009	558,400	25,712,652			2,668,000	9,650,500	1,494,300	40,083,852		20,817	40,104,669	191,138,546	2.873
2010	558,400	25,639,391			2,668,000	9,150,500	1,494,300	39,510,591		20,817	39,531,408	175,738,471	2.982
2011	572,200	25,594,800			2,689,600	9,167,700	1,498,300	39,522,600		20,983	39,543,583	119,280,488	3.070
2012	1,299,400	25,588,600			2,689,600	8,440,500	1,498,300	39,516,400		25,171	39,541,571	128,970,245	3.134
2013	1,344,000	25,564,900			2,731,500	8,440,500	1,498,300	39,579,200		21,875	39,601,075	141,908,806	3.161
2014	1,116,600	25,536,500			2,528,200	8,440,500	4,325,700	41,947,500		20,194	41,967,694	149,674,089	3.134
2015	1,075,800	25,686,500			2,528,200	8,440,500	4,325,700	42,056,700		45,661	42,102,361	134,332,729	3.306
2016	1,075,800	25,818,500			2,528,200	8,271,100	4,325,700	42,019,300		47,949	42,067,249	132,154,527	3.375
2017	3,156,400	88,260,800			10,280,200	33,196,100	21,845,900	156,739,400		159,201	156,898,601	148,522,772	0.992 **

* Machinery, implements, equipment and all other taxable personal property used in the business of telephone, telegraph and messenger system companies.

** Revaluation

**EAST NEWARK SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
*Unaudited***

J-7

(Rate per \$100 of Assessed Value)

Fiscal Year Ended June 30,	Board of Education			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct	Municipal Rate East Newark	County Rate Hudson County	Total Direct and Overlapping Tax Rate
2008	\$2.875	\$	\$2.875	\$3.237	\$1.909	\$8.021
2009	2.873		2.873	3.373	1.551	7.798
2010	2.982		2.982	3.463	1.500	7.945
2011	3.070		3.070	3.529	1.763	8.362
2012	3.134		3.134	3.790	1.703	8.627
2013	3.161		3.161	3.978	1.952	9.091
2014	3.134		3.134	4.061	1.919	9.114
2015	3.306		3.306	4.043	1.715	9.064
2016	3.375		3.375	4.170	1.684	9.229
2017*	0.922		0.922	1.144	0.468	2.534

Source: District Records and Municipal Tax Collector

*Revaluation

**EAST NEWARK SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
*Unaudited***

J-8

<u>Taxpayer</u>	<u>2013</u>		<u>2004</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
East Newark Town Center	\$ 7,337,800	18.53%	\$	
Engelhard Corporation	727,200	1.84%		
1st Republic Corporation of America	669,400	1.69%		
Daving, LLC	540,000	1.36%		
VNB Realty	498,500	1.26%		
Simelog Properties, LLC	266,700	0.67%		
IDVG Realty, LLC	227,400	0.57%		
ARC Property Management, LLC	195,600	0.49%		
Philbro Corporation	190,800	0.48%		
Taxpayer #1			8,234,500	21.09%
Taxpayer #2			1,291,750	3.31%
Taxpayer #3			1,245,700	3.19%
Taxpayer #4			591,500	1.51%
Taxpayer #5			583,000	1.49%
	<u>\$10,653,400</u>	<u>26.90%</u>	<u>\$11,946,450</u>	<u>30.60%</u>
Total Assessed Value		<u>\$39,601,075</u>		<u>\$39,045,694</u>

Source: Municipal Tax Assessor

**EAST NEWARK SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
*Unaudited***

J-9

Fiscal Year Ended June 30,	School Taxes Levied Fiscal Year	Collected Within the Fiscal Year of the Levy		
		Amount	Percentage of Levy	Collections in Subsequent Years
2008	\$1,175,758.00	\$1,175,758.00	100.00%	\$
2009	1,175,758.00	1,175,758.00	100.00%	
2010	1,175,758.00	1,175,758.00	100.00%	
2011	1,222,788.00	1,222,788.00	100.00%	
2012	1,247,245.00	1,247,245.00	100.00%	
2013	1,272,190.00	1,259,717.00	99.02%	12,473.00
2014	1,272,190.00	1,272,190.00	100.00%	
2015	1,397,000.00	1,397,000.00	100.00%	
2016	1,424,940.00	1,424,940.00	100.00%	
2017	1,453,439.00	1,453,439.00	100.00%	

Source: District records including the Certificate and Report of School Taxes (A4F Form).

Note: School taxes are collected by the Municipal Tax Collector. Under State Statute, a municipality is required to remit to the school district the property tax amount voted upon and certified prior to the end of the school fiscal year - June 30th.

DEBT CAPACITY

**EAST NEWARK SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
*Unaudited***

J-10

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Activities</u>					<u>Total District</u>	<u>Capital Leases</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Certificate of Participation</u>	<u>Capital Leases</u>	<u>Bond Anticipation Notes (Bonds)</u>	<u>Business- Type Activities</u>				
2008	\$	\$	\$	\$	\$	\$	\$	\$	\$
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									
2017									

EAST NEWARK SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
Unaudited

J-11

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value (a) of Property</u>	<u>Per Capita (b)</u>
2008	\$	\$	\$	\$	\$
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					

Notes:

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found on Exhibit J-14.

**EAST NEWARK SCHOOL DISTRICT
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF DECEMBER 31, 2016
 Unaudited**

J-12

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Governmental Unit</u>			
Debt Repaid with Property Taxes:			
Net Overlapping Debt of School District:			
Borough of East Newark	\$ 2,021,732.00	100%	\$ 2,021,732.00
County of Hudson	544,555,286.00	0.202%	1,100,002
East Newark School District Direct Debt			-
Total Direct and Overlapping Bonded Debt as of December 31, 2016			<u><u>\$ 3,121,734</u></u>

Source: Annual Debt Statement
 Abstract of Ratables

**EAST NEWARK SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
Unaudited**

J-13

Year	Equalized Valuation Basis
2014	\$125,704,225
2015	124,834,372
2016	125,169,199
	<u>\$375,707,796</u>

Average Equalized Valuation of Taxable Property \$125,235,932

School Borrowing Margin (3% of \$125,235,932)	\$ 3,757,078
Net Bonded School Debt as of December 31, 2016	-
	<u>\$ 3,757,078</u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$4,235,074	\$ 4,854,343	\$5,257,128	\$ 5,301,050	\$4,866,151	\$4,282,023	\$3,996,950	\$3,864,757	\$3,929,205	\$3,757,078
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$4,235,074</u>	<u>\$ 4,854,343</u>	<u>\$5,257,128</u>	<u>\$ 5,301,050</u>	<u>\$4,866,151</u>	<u>\$4,282,023</u>	<u>\$3,996,950</u>	<u>\$3,864,757</u>	<u>\$3,929,205</u>	<u>\$3,757,078</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

DEMOGRAPHIC AND ECONOMIC INFORMATION

**EAST NEWARK SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
Unaudited**

J-14

<u>Year</u>	<u>(a) Population</u>	<u>(b) Personal Income</u>	<u>(c) Per Capita Personal Income</u>	<u>(d) Unemployment Rate</u>
2008	2,129	\$ 95,240,815 R	\$ 44,735 R	5.2%
2009	2,126	91,377,606 R	42,981 R	N/A
2010	2,501	111,527,093 R	44,593 R	9.4%
2011	2,535	115,555,440 R	45,584 R	9.7%
2012	2,551	120,335,772 R	47,172 R	10.1%
2013	2,755	131,994,805 R	47,911 R	N/A
2014	2,768	141,907,056 R	51,267 R	N/A
2015	2,754	148,564,530 R	53,945 R	N/A
2016	2,754	N/A	N/A	5.1%
2017	N/A	N/A	N/A	N/A

(a) Population information provided by the N.J. Department of Labor and Workplace Development.

(b) Personal income has been estimated based upon the municipal population and per capita personal income presented.

(c) Per capita personal income by municipality estimated based upon the 2000 and 2010 Census published by the U.S. Bureau of Economic Analysis.

(d) Unemployment data provided by the N.J. Department of Labor and Workforce Development.

N/A - Not Available at Time of Audit

R - Revised

**EAST NEWARK SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
*Unaudited***

J-15

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
East Newark Board of Education	32	1.51%	62	2.61%
Borough of East Newark	30	1.41%	44	1.85%
Tops Diner	18	0.85%	37	1.56%
Pic-Nic Restaurant	13	0.61%	29	1.22%
Valley National Bank	9	0.38%	16	0.67%
Garden State Community Bank	8	0.38%	10	0.42%
	<u>110</u>	<u>5.17%</u>	<u>198</u>	<u>8.33%</u>

OPERATING INFORMATION

EAST NEWARK SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Unaudited

J-16

<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:										
Regular	16.0	15.0	19.0	19.0	19.0	17.0	16.4	18.4	18.4	18.4
Special Education	3.0	2.0	2.0	2.0	3.0	1.0	5.0	4.0	4.0	4.0
Other Special Education	1.0	1.0				4.0	1.0	1.0	1.0	1.0
Other Instructional	2.0	2.0				4.0	5.0	5.0	5.0	5.0
Support Services:										
Student and Instructional Related Services	5.0	3.0	5.0	3.0	3.0		2.4	2.4	2.4	2.4
General Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School Administrative Service	2.0	2.0	1.5	2.5	2.0	2.0	1.0	1.0	1.0	1.0
Other Administrative Services	2.0	2.0	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0
Central Services	1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Administrative Information Technology					2.0	1.5	0.5	0.5	0.5	0.5
Plant Operations and Maintenance	2.0	2.0	1.5	1.5			2.0	3.0	3.0	3.0
Pupil Transportation			0.5	0.5	1.0	0.5	0.5	0.5	0.5	0.5
Total	<u>35.0</u>	<u>31.0</u>	<u>31.5</u>	<u>30.5</u>	<u>32.0</u>	<u>32.0</u>	<u>36.3</u>	<u>38.3</u>	<u>38.3</u>	<u>38.3</u>

Source: District Personnel Records

*Not Supplied by School District.

**EAST NEWARK SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
Unaudited**

J-17

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures (a)	Cost per Pupil	Percentage Change	Teaching Staff	Per Pupil Ratio			Average Daily Enrollment (b)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle	Senior High School				
2008	219	\$ 3,860,057	\$17,626	17.7%	24.0	12.0	N/A	N/A	217.7	208.1	0.09%	95.59%
2009	242	4,053,338	16,749	(4.99%)	24.0	12.0	N/A	N/A	222.0	211.0	1.98%	95.05%
2010	230	4,012,534	17,446	4.16%	21.0	12.0	N/A	N/A	242.1	230.9	9.05%	95.37%
2011	241	4,036,088	16,747	(4.01%)	21.0	12.0	N/A	N/A	223.0	215.0	(7.89%)	96.41%
2012	238	4,212,052	17,698	5.67%	22.0	12.0	N/A	N/A	228.0	219.0	2.19%	96.05%
2013	263	4,611,186	17,533	5.37%	22.0	12.0	N/A	N/A	257.0	247.2	12.72%	96.19%
2014	271	*	*	*	*	*	*	*	*	*	*	*
2015	263	*	*	*	*	*	*	*	*	*	*	*
2016	271	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2017	273	5,107,834	18,710	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: District Records

- Note:
- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
 - (b) Teaching staff includes only full-time equivalents of certified staff.
 - (c) Average daily enrollment and average daily attendance are obtained from School Registry Summary.

*Not Supplied by School District.

N/A - Not Applicable

**EAST NEWARK SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
*Unaudited***

J-18

<u>FACILITY</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>
<u>Elementary</u>										
Elementary School #1 (1896):										
Square Feet	19,297	19,297	19,297	19,297	19,297	19,297	19,297	19,297	19,297	19,297
Functional Capacity	259	259	259	259	259	275	275	275	275	275
Enrollment	219	242	230	241	238	263	263	263	271	273

Source: District Maintenance Office

EAST NEWARK SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITIES
 LAST TEN FISCAL YEARS
Unaudited

J-19

UNDISTRIBUTED
 EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL
 11-000-261-XXX

<u>School Facilities</u>	<u>Project #</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Elementary School #1	N/A	<u>\$129,273.37</u>	<u>\$76,473.19</u>	<u>\$ -</u>	<u>\$14,629.26</u>	<u>\$9,014.51</u>	<u>\$8,442.88</u>	<u>\$8,954.40</u>	<u>\$7,073.98</u>	<u>\$14,995.35</u>	<u>\$11,384.00</u>

**EAST NEWARK SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
Unaudited**

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Property:		
Property - Blanket Building and Contents	\$ 4,950,265	\$ 500
Comprehensive General Liability	1,000,000/2,000,000	1,000
Comprehensive Automobile Liability for Nonowned and Hired Only	1,000,000	
Comprehensive Crime Coverage	25,000	
Computers and Scheduled Equipment:		
Data Processing Equipment	200,000	1,000
Boiler and Machinery:		
Property Damage	Included	500
Umbrella Liability	5,000,000/1,000,000	
School Board Legal Liability:		
Directors' and Officers' Policy	1,000,000/2,000,000	2,500
Public Employees' Faithful Performance Blanket Position Bond:		
Evelyn Lassalle	75,000	
Dennis Frohnafel	150,000	
Robert Knapp	150,000	
Professional Liability - Nurses	Included in General Liability	
Worker's Compensation:		
NJSBA	1,000,000	
Student Accident	100,000	
Employee Dishonesty Bond	25,000	250

Source: District Records

SINGLE AUDIT SECTION

550 BROAD STREET, 11TH FLOOR
NEWARK, NJ 07102-9969
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**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**

The Honorable President and Members
of the Board of Education
East Newark Board of Education
County of Hudson
East Newark, New Jersey 07029

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the East Newark Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the East Newark Board of Education's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

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

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.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
December 4, 2017

550 BROAD STREET, 11TH FLOOR
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR
FEDERAL AWARDS (UNIFORM GUIDANCE) AND NEW JERSEY OMB CIRCULAR 15-08**

The Honorable President and Members
of the Board of Education
East Newark Board of Education
County of Hudson
East Newark, New Jersey 07029

Report on Compliance for Each Major Program

We have audited the East Newark Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2017. The East Newark School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the East Newark School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *New Jersey State Aid/Grant Compliance Supplement*, and the audit 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about the East Newark School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the East Newark School District's compliance.

Opinion on Each Major Federal and State Program

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

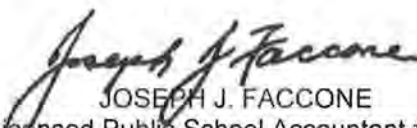
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 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 NJOMB's 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and New Jersey OMB's Circular 15-08

We have audited the financial statements of the Board of Education of the East Newark School District as of and for the year ended June 30, 2017, and have issued our report thereon dated December 4, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB's Circular 15-08 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
December 4, 2017

**EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Schedule A

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Award Amount	Grant Period	Balance at June 30, 2016	Carryover/(Walkover) Amount	Cash Received	Total Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances Repaid	June 30, 2017		
												(Accounts Receivable)	Deferred Inflows	Due to Grantor
U.S. Department of Education:														
Passed-Through State Department of Education:														
Special Revenue Fund														
Title I, Part A Basic	84 010	S010A160030	NCLB-1200-17	\$183,485.29	7/1/2016 - 6/30/2017	\$	\$	\$ 68,063.00	\$(214,714.29)	\$	\$	\$(146,651.25)	\$	\$
Title I, Part A Basic	84 010	S010A150030	NCLB-1200-16	253,133.00	7/1/2015 - 6/30/2016	(8,037.00)						(8,037.00)		
Title I, Part A Basic	84 010	S010A150030	NCLB-1200-13	165,229.23	9/1/2012 - 3/13/2013	(1,342.32)						(1,342.32)		
Title II, Part A Teacher and Principal Training	84 367A	S367A150029	NCLB-1200-14	10,821.00	7/1/2013 - 6/30/2014	1,388.00							1,388.00	
Title II, Part A Teacher and Principal Training	84 367A	S367A150029	NCLB-1200-15	7,245.00	7/1/2014 - 6/30/2015	3,838.33							3,838.33	
Title II, Part A Teacher and Principal Training	84 367A	S367A150029	NCLB-1200-16	11,044.00	7/1/2015 - 6/30/2016	(1,284.00)						(1,284.00)		
Title II, Part A Teacher and Principal Training	84 367A	S367A160029	NCLB-1200-17	6,000.00	7/1/2016 - 6/30/2017			4,644.00	(6,000.00)			(1,356.00)		
Title III	84 365	S365A150030	NCLB-1200-15	11,771.00	7/1/2014 - 6/30/2015	(11,771.00)						(11,771.00)		
Title III	84 365	S365A150030	NCLB-1200-16	11,771.00	7/1/2015 - 6/30/2016	(2,110.89)		8,510.89	(6,400.00)			(1,975.89)		
Title III	84 365	S365A160030	NCLB-1200-17	12,905.89	7/1/2016 - 6/30/2017			10,929.00	(12,905.89)			(7,860.36)		
IDEA - Part B	84 027	H027A160100	IDEA-1200-17	27,108.36	7/1/2016 - 6/30/2017			19,248.00	(27,108.36)			(16,315.19)		
IDEA - Part B	84 027	H027A150100	IDEA-1200-16	91,184.00	7/1/2015 - 6/30/2016	(16,315.18)								
IDEA - Part B	84 027	H027A150100	IDEA-1200-15	71,936.00	7/1/2014 - 6/30/2015	79,511.86							79,511.86	
IDEA - Part B	84 027	H027A150100	IDEA-1200-13	63,554.90	9/1/2012 - 8/31/2013	2,777.00							2,777.00	
IDEA - Preschool	84 173	H173A150114	IDEA-1200-16	5,329.00	7/1/2015 - 6/30/2016	(5,329.00)		5,329.00						
IDEA - Preschool	84 173	H173A150114	IDEA-1200-14	2,858.00	7/1/2013 - 6/30/2014	81.00							81.00	
Total Special Revenue Fund						<u>41,406.80</u>		<u>116,723.89</u>	<u>(267,128.54)</u>			<u>(196,594.04)</u>	<u>87,596.19</u>	
U.S. Department of Agriculture:														
Passed-Through State Department of Education														
Enterprise Fund:														
National School Breakfast Program	10 553	171NJ304N1099	N/A	39,799.19	7/1/2016 - 6/30/2017			36,771.97	(39,799.19)			(3,027.22)		
National School Breakfast Program	10 553	16161NJ304N1099	N/A	43,961.42	7/1/2015 - 6/30/2016	(24,734.63)		24,734.63						
Healthy, Hunger Free Kids Act	10 592	171NJ304N1099	N/A	2,105.76	7/1/2016 - 6/30/2017			1,959.36	(2,105.76)			(146.40)		
Healthy, Hunger Free Kids Act	10 592	16161NJ304N1099	N/A	2,151.24	7/1/2015 - 6/30/2016	(1,285.08)		1,285.08						
National School Lunch Program	10 555	171NJ304N1099	N/A	98,332.93	7/1/2016 - 6/30/2017			91,518.35	(98,332.93)			(6,814.58)		
National School Lunch Program	10 555	16161NJ304N1099	N/A	97,542.20	7/1/2015 - 6/30/2016	(58,441.34)		58,169.59		272.75		(9,988.20)		
Total U.S. Department of Agriculture						<u>(84,461.05)</u>		<u>214,437.98</u>	<u>(140,237.88)</u>	<u>272.75</u>		<u>(9,988.20)</u>		
Total Federal Financial Awards						<u>\$(43,054.25)</u>	<u>\$ -</u>	<u>\$331,161.87</u>	<u>\$(407,366.42)</u>	<u>\$272.75</u>	<u>\$ -</u>	<u>\$(206,582.24)</u>	<u>\$87,596.19</u>	<u>\$ -</u>

The accompanying Notes to Schedule of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

K-4

Schedule B

State Grants/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		June 30, 2016		Carryover / (Waiver) Amount	Cash Received	Budgetary Expenditures Pass-Through Funds	Budgetary Expenditures Direct	Adjustments	Repayment of Prior Years' Balances	June 30, 2017		MEMO					
			From	To	Deferred Inflows (Accounts Receivable)	Due to Grantor							Intergovernmental (Accounts Receivable)	Deferred Inflows Interfund Payables	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures			
State Department of Education																				
General Fund																				
Equalization Aid	17-495-034-5120-078	\$3,089,480.00	7/1/2016	-	6/30/2017	\$	\$	\$	\$3,089,480.00	\$(3,089,480.00)	\$	\$	\$	\$	\$	\$	\$	\$308,512.76	\$(3,089,480.00)	
Special Education Categorical Aid	17-495-034-5120-089	216,241.00	7/1/2016	-	6/30/2017				216,241.00	(216,241.00)								21,905.08	(216,241.00)	
Transportation Aid	17-495-034-5120-014	8,356.00	7/1/2016	-	6/30/2017				8,356.00	(8,356.00)								846.49	(8,356.00)	
Security Aid	17-495-034-5120-084	27,928.00	7/1/2016	-	6/30/2017				27,928.00	(27,928.00)								2,829.10	(27,928.00)	
Under Adequacy Aid	17-495-034-5120-096	72,274.00	7/1/2016	-	6/30/2017				72,274.00	(72,274.00)								7,321.36	(72,274.00)	
PARCC Readiness Aid	17-495-034-5120-098	4,030.00	7/1/2016	-	6/30/2017				4,030.00	(4,030.00)								408.22	(4,030.00)	
Per Pupil Growth Aid	17-495-034-5120-097	4,030.00	7/1/2016	-	6/30/2017				4,030.00	(4,030.00)								408.22	(4,030.00)	
Professional Learning Community Aid	17-495-034-5120-101	4,100.00	7/1/2016	-	6/30/2017				4,100.00	(4,100.00)								415.31	(4,100.00)	
Extraordinary Aid	17-495-034-5120-044	23,866.00	7/1/2016	-	6/30/2017					(23,866.00)				(23,866.00)					(23,866.00)	
Extraordinary Aid	16-495-034-5120-044	47,229.00	7/1/2015	-	6/30/2016	(27,207.00)			27,207.00											
On-Behalf TPAF Pension Contribution	17-495-034-5094-002	116,937.00	7/1/2016	-	6/30/2017				116,937.00	(116,937.00)									(116,937.00)	
On-Behalf TPAF Post-Retirement Medical Contributions	17-495-034-5094-001	97,435.00	7/1/2016	-	6/30/2017				97,435.00	(97,435.00)									(97,435.00)	
On-Behalf TPAF - Non-Contributory Insurance	17-495-034-5094-004	527.00	7/1/2016	-	6/30/2017				527.00	(527.00)									(527.00)	
Reimbursed TPAF Social Security	17-495-034-5094-003	66,737.99	7/1/2016	-	6/30/2017				60,316.49	(66,737.99)				(6,421.50)					(66,737.99)	
Reimbursed TPAF Social Security	16-485-034-5094-003	65,912.86	7/1/2015	-	6/30/2016	(3,442.58)			3,442.58											
Total General Fund						(30,648.58)			3,732,304.07	(3,731,941.99)				(30,267.50)				342,646.54	(3,731,941.99)	
Special Revenue Fund:																				
Preschool Education Aid	17-495-034-5120-086	56,554.38	7/1/2016	-	6/30/2017			39,869.10	33,344.00	(56,554.38)				16,458.72				3,334.46	(56,554.38)	
Preschool Education Aid	16-495-034-5120-086	78,480.00	7/1/2015	-	6/30/2016	39,668.10			(39,668.10)											
Total Special Revenue Fund						39,668.10			33,344.00	(56,554.38)				16,458.72				3,334.46	(56,554.38)	
State Department of Agriculture																				
Enterprise Fund																				
National School Lunch Program	17-100-010-3350-023	1,863.30	7/1/2016	-	6/30/2017				1,733.85	(1,863.30)				(129.45)					(1,863.30)	
National School Lunch Program	16-100-010-3350-023	1,930.33	7/1/2015	-	6/30/2016	(1,140.40)			1,140.40											
Total Enterprise Fund						(1,140.40)			2,874.25	(1,863.30)				(129.45)					(1,863.30)	
Total State Financial Assistance						\$ 7,879.12	\$ -	\$ -	\$3,768,522.32	\$(3,790,359.67)	\$ -	\$ -	\$ -	\$(13,958.23)	\$ -	\$ -		\$ 345,981.00	\$(3,790,359.67)	
Less: On-Behalf TPAF Pension System Contributions:																				
On-Behalf TPAF Post-Retirement Medical Benefits																				
Contributions	17-495-034-5094-001																			
On-Behalf TPAF Pension Contributions	17-495-034-5094-002																			
Contributions																				
On-Behalf TPAF Noncontributory Insurance																				
Contributions	17-495-034-5094-004																			
Total for State Financial Assistance Major Program Determination										\$(214,899.00)										
										\$(2,575,460.67)										

The accompanying Notes to Schedule of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

EAST NEWARK SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the East Newark School District. The School District is defined in Note 1(A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed-through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

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. This basis of accounting is described in Note 1 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that 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 in the subsequent year. The special revenue fund and capital projects fund are 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.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(3,066.42) for the general fund and \$3,334.42 for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 3,728,875.57	\$ 3,728,875.57
Special Revenue Fund	267,128.54	59,888.80	327,017.34
Food Service	<u>140,237.88</u>	<u>1,863.30</u>	<u>142,101.18</u>
Totals	<u>\$ 407,366.42</u>	<u>\$ 3,790,627.67</u>	<u>\$ 4,197,994.09</u>

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.

5. FEDERAL AND STATE LOANS OUTSTANDING

The District had no loans payable outstanding to federal or state entities at June 30, 2017.

6. 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 Post-Retirement Medical Benefit Contributions and Teacher's Pension Contributions represents the amounts paid directly by the State On-Behalf of the District for the year ended June 30, 2017. 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.

7. 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. 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.

8. DE MINIMIS INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**EAST NEWARK 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 Section

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes √ No

2) Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes √ None Reported

Noncompliance material to basic financial statements noted?

_____ Yes √ No

State Awards

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

Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes √ No

2) Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes √ None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letters 04-04 and 15-08?

_____ Yes √ No

Identification of major programs:

State Grant Number(s)

17-495-034-5120-078

Name of State Program

Equalization Aid

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

\$750,000.00

Auditee qualified as low-risk auditee?

 √ Yes _____ No

EAST NEWARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Section II - Financial Statement Findings:

No financial statement findings that are required to be reported under *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs:

State Award Findings and Questioned Costs:

There were no findings or questioned costs for state financial assistance.

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

There were no prior years' findings.

