

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

PREPARED BY
CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
OFFICE OF SCHOOL BUSINESS ADMINISTRATOR

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-5
Roster of Officials.....	6
Consultants and Advisors	7
Organizational Chart.....	8
FINANCIAL SECTION	
Independent Auditor’s Report	9
Required Supplementary Information - Part I	
Management’s Discussion and Analysis	12
Basic Financial Statements	
A. District-wide Financial Statements	
A-1 Statement of Net Assets	23
A-2 Statement of Activities.....	24
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet.....	26
B-1a Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance.....	28
B-2a Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Funds:	
B-3 Statement of Net Assets	30
B-4 Statement of Revenues, Expenses, and Changes in Fund Net Assets	31
B-5 Statement of Cash Flows	32
Fiduciary Funds:	
B-6 Statement of Fiduciary Net Assets.....	33
B-7 Statement of Changes in Fiduciary Net Assets.....	34

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE NO.</u>
FINANCIAL SECTION – CONTINUED	
Notes to the Financial Statements	35-56
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund.....	58
C-1a Combining Budgetary Comparison Schedule – General Fund.....	66-75
C-2 Budgetary comparison Schedule – Special Revenue Fund.....	76
C-3 Budget-to-GAAP Reconciliation	77
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet.....	79
D-2 Blended Resource Fund - Expenditures Allocated by Resource Type – Actual.....	80
D-2a Blended Resources Fund Expenditures Allocated by Resource Type Actual – School Level.....	81-90
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual.....	91-136
E. Special Revenue Fund:	
E-1 Combining schedule of Revenues and Expenditures Special Revenue Fund –Budgetary Basis	137
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	142
E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary Basis	143
E-4 Distance Learning Network Aid Expenditure.....	144
E-5 Instructional Supplement Aid Expenditure.....	145

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

PAGE NO.

FINANCIAL SECTION – CONTINUED

F.	Capital Projects Fund:		
	F-1 Summary Schedule of Project Expenditures.....		146
G.	Proprietary Funds:		
	Enterprise Fund:		
	G-1 Statement of Net Assets		147
	G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets		148
	G-3 Statement of Cash Flows		149
H.	Fiduciary Fund:		
	H-1 Combining Statement of Fiduciary Net Assets.....		150
	H-2 Student Activity Agency Fund Schedule of Receipts and Disbursements		151
	H-3 Student Activity Agency Fund.....		152
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements		153
I.	Long-Term Debt:		
	I-1 Schedule of Serial Bonds		154

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component.....		155
J-2	Changes in Net Assets.....		156
J-3	Fund Balances-Governmental Funds.....		157
J-4	Changes in Fund Balances, Governmental Funds.....		158
J-5	General Fund Other Local Revenue by Sources (NJ).....		159

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE NO.</u>
STATISTICAL SECTION (Unaudited) * CONTINUED	
<u>Revenue Capacity</u>	
J-6 Assessed and Estimated Actual Value of Taxable Property	160
J-7 Property Tax Rates – Direct and Overlapping Governments	161
J-8 Schedule of Principal Taxpayers*	162
J-9 Property Tax Levies and Collections.....	163
 <u>Debt Capacity</u>	
J-10 Ratios or Outstanding Debt Type	164
J-11 Ratio of General Bonded Debt Outstanding	165
J-12 Direct and Overlapping Governmental Activities Debt.....	166
J-13 Legal Debt Margin Information.....	167
 <u>Demographic and Economic Information</u>	
J-14 Demographic and Economics Statistics.....	168
J-15 Principal Employers, Current and Nine Years Ago.....	169
 <u>Operating Information</u>	
J-16 Full – time Equivalent District Employees by Function/Program.....	170
J-17 Operating Statistics	171
J-18 School Building Information	172
J-19 Required Maintenance for School Facilities (NJ).....	173
J-20 Insurance Schedule (NJ)	174
 SINGLE AUDIT SECTION	
K-1 Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	175
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 98-07.....	177
K-3 Schedule of Expenditures of Federal Awards, Schedule A	180
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....	183

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

SINGLE AUDIT SECTION * CONTINUED

K-5	Notes to Schedules of Awards and Financial Assistance	185
K-6	Schedule of Findings and questioned Costs.....	187
K-7	Summary Schedule of Prior Audit Findings.....	193

APPENDICES

Encumbrance Reconciliation Schedule	Appendix A-1
WSR TPAF and FICA.....	Appendix B-1

Introductory Section

October 23, 2008

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

Dear Madam President and Board Members:

Introduction

The Comprehensive Annual Financial Report of the City of Orange Township School District for the fiscal year ended June 30, 2008 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 School District. 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 fairly present the financial position, governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2008 and the respective changes in financial position and cash flows, where applicable for the year then ended. 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 consultants, accountants and advisors, and a list of principal officials. The financial section includes the basic financial statements, required supplementary information and other supplementary information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and State OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this Single Audit including the auditors' report on internal control 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 City of Orange Township School District is an independent reporting entity within the criteria adopted by the GASB statement No. 14. All funds of the District are included in this report. The City of Orange Township, Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre- K through 12. These include regular developmental and alternative programs, as well as special education for handicapped youngsters. The District completed the 2007-2008 fiscal year with an average daily enrollment of **4280** students, which is an average of 295 students more than the previous year's average daily enrollment. The following details the changes in the student enrollment of the District over the last five (5) years.

Average Daily Enrollment

Fiscal Year	Average Daily Enrollment	Percent Change Increase (Decrease)
2007-08	4280	7.40
2006-07	3985	(2.3)
2005-06	4084	(6.22)
2004-05	4,355	(3.42)
2003-04	4,509	0.76

2. Economic Condition and Outlook

The City of Orange Township area has continuously experiencing a period of development and expansion. The increasing number of businesses springing up and or relocating to the area has resulted in an increase in the employment level leading to an increased tax base, both residential and industrial, and the resulting increase in annual daily enrollment. This expansion is expected to continue which suggests that the City of Orange Township area will continue to prosper.

3. Major Initiatives

The District continues to undertake four major initiatives, under the rubric of Academic Excellence linked to the School Development Program/Comer Process in order to close the gap in student achievement. The second phase of an audit of the developmentally appropriate curriculum for grades Pre-K-12 instruction is being implemented and enhanced through ongoing staff professional development and the purchase of instructional materials and technology equipment related to curriculum for use in the classrooms to meet and exceed the Core Curriculum Content Standards in Grades Pre-K-12.

4. Internal Control

Management of the District is responsible for establishing and maintaining internal control 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 accounting principles generally accepted in the United States (GAAP). Internal control 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 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 adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

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

5. Budgetary Controls

In addition to internal control, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of School Estimate. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of the fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2008.

6. Accounting System and Reports

The District's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

7. Debt Administration

The District is a Type I School District, wherein under statute, funds needed for the construction and repair of facilities are bonded for and incurred by the municipality. In June 30, 2008, the municipality's outstanding debt on behalf of the District was **\$9,516,380.46**. The proceeds of

these bond issues were placed in the District's capital projects fund for capital improvements to the District's buildings and grounds and the purchasing of classroom computer technology. The building improvements include the building of modular classrooms at the Forest Street, Heywood and the Oakwood Avenue Elementary Schools, various re-roofing projects, window replacements, masonry restoration and other projects.

As a result of the Abbott v Burk Decision, further construction of additions and renovations will be made to Central, Cleveland, Forest, Heywood, Lincoln, Oakwood, Orange High School, Park Avenue Elementary School; two new Pre-School facility has been approved to be built in Orange, a 2nd new K-8 school has also been approved to be built in Orange in addition to the New Main Street K-8 school that was completed and opened in September of 2004, according to the District's Long Range Facility Plan. The Park Avenue and Lincoln Elm School renovation and addition construction has been commissioned and started. As per New Jersey School Development Authority (NJSDA), the expected moving date for Park Av. School is February, 2009 and for Lincoln Av. School is September, 2009. These projects are all being undertaken by the Department of Education and New Jersey School Development Authority (NJSDA). These additions includes, but not limited to classroom spaces, auditorium, gymnasiums, cafeterias and administrative office spaces. In addition, a Health and Safety project have been approved at the Orange High School to replace the none-functioning air handling and circulating system, and at the Orange Middle School, the gym lights are to be replaced.

8. Cash Management

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. 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.

9. Risk Management

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

10. Other Information

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Mitchell & Titus, LLP was selected by the District's to audit the District's June 30, 2008 financial statements. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act of Amendments of 1996 and the related OMB

Circular A-133, and State Treasury Circular Letter 98-07. The auditors' report on the basic financial statements, required supplementary information and other supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11. Acknowledgments

We would like to express our appreciation to the members of the City of Orange Township Board of Education, the Mayor Eldridge Hawkins Jr. City Council, the Police Department, the Fire Department, the City Tax Assessor Department, City Finance Department and City Recreation Department for their concern(s) in providing fiscal accountability to the citizens and taxpayers of the City of Orange Township School District and thereby, contributing their 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 Business Office financial and accounting staff.

Respectfully submitted,

Dr. Judith Kronin, Interim Superintendent

Dr. Nathan Parker

Superintendent of Schools as of June 2008

Mr. Adekunle O. James

School Business Administrator/
Board Secretary

**City of Orange Township School District
Orange, New Jersey**

Roster of Officials

BOARD MEMBERS	APPOINTED/ RE-APPOINTED	TERMS EXPIRES
Ms. Monique Van Wells, President	July 2006	as of June 27, 2008
Ms. Patricia A. Arthur, Vice-President	May 2006	2009
Rev. William Washington	May 2008	2011
Mr. Walter Smith, Member	April 2008	2010
Rev. Reginald T. Jackson, Member	May 2006	2009
Mrs. Wynona Samuels, Member	May 2007	2010
Ms. Sharon Davis, Member	May 2007	2010

OTHER OFFICIALS

Dr. Judith Kronin, Interim Superintendent of Schools

Dr. Nathan Parker, Superintendent of Schools (as of June 2008)

Ms. Constance L. Frazier, Assistant Superintendent of Curriculum & Instruction Services

Mr. Adekunle O. James, School Business Administrator/Board Secretary

Ms. Belinda Scott-Smiley, Administrative Assistant to the Superintendent for Operations/Human Resources Services

Ms. Barbara Clark, Director of Special Services

Ms. Candace Goldstein, Director of Special Programs

Ms. Claudette Rogers, Director of Curriculum

**City of Orange Township School District
Orange, New Jersey**

Consultants, Accountants and Advisors

ARCHITECTS

Massimo F. Yezzi, Jr.
Board Architects & Planners

YEZZI ASSOCIATES

18 Washington Street
P.O. Box 1638
Toms River, New Jersey 08754

KNTM Architect

728 Washington Street
East Orange, NJ 07017

INDEPENDENT AUDITORS

Mitchell & Titus, LLP
Certified Public Accountant
201 Route 17 North
Rutherford, NJ 07070

ATTORNEYS AT LAW

Melvin Randall
School Board Attorney
Love & Randall
57 Washington Street
East Orange, New Jersey 07017

FISCAL AGENT

Olugbenga Olabintan, CPA
137 Camden Street
3rd Floor
Newark, New Jersey 07103

OFFICIAL DEPOSITORY

Bank of America
425 Main Street
Orange, New Jersey 07050

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
City of Orange Township Public Schools
County of Essex
Orange, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the City of Orange Township Public Schools in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Orange Township Public Schools' management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, business-type activities, and each major fund of the City of Orange Township Public Schools, in the County of Essex, State of New Jersey, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2008, on our consideration of the City of Orange Township Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, and regulations, contracts and grant agreements and other matters. The purpose of that report is to

REPORT OF INDEPENDENT AUDITOR'S *(continued)*

describe the scope of our testing of internal control over financial reporting and compliance and the result 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* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on Pages 12 through 21 and 58 through 77 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Orange Township Public Schools' basic financial statements. The accompanying introductory section, and other supplementary information such as combining and individual fund financial statements, long-term debt schedules and statistical information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mitchell & Titus, LLP

H. O'Neil Williams, CPA
Licensed Public School Accountant
No. 20CS00079500
October 23, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008

It is a privilege to present to you the financial condition of the City of Orange Township Board of Education (the Board). This discussion and analysis of the Board's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to examine the Board's financial performance as a whole. The readers of this document should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the Board's financial performance.

Financial Statements

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Financial Highlights

Key financial highlights for the District for the fiscal year 2008, as reflected in the Basic Financial Statements are as follows:

- There was an overall increase of 21.5% in the revenue as reported in the Statement of Activities (Table II). It should be noted that general and special revenues increased by \$18,981,526 million in 2008 over 2007. The increase was primarily attributed to construction aid from NJ School Construction Authority.
- There was a deferral of the last State Aid payment of \$3,042,994 to fiscal year 2008.
- There has been an increase of 61.2% in total liabilities of the Board from fiscal year 2007.

The total revenues of \$105,612,965 came from two major sources, the general revenue such as State and Federal grants, property and other taxes, and program specific revenue such as operating grants and contributions. General revenue for the fiscal year amounted to \$90,496,265 or 86% of total revenues, and program specific revenues from charges for services, grants, and contributions amounted to \$15,116,700 or 14% of total revenues. (Exhibit A-2)

The revenues received during fiscal year 2008 were used to pay expenses of \$87,108,898 in governmental activities. Expenses in the amount of \$15,116,700 were offset by program specific charges, grants, or contributions. General revenues; primarily taxes and state grants and entitlements were sufficient to provide for the program expenses, resulting in changes in net assets of \$17,401,194 for the fiscal year 2008 (Exhibit A-2).

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) OUTLINE

The annual report consists of two distinct sets of financial statements, namely, the district-wide and fund financial statements. The district-wide statements are designed to show The District's overall economic activity in the Statement of Net Assets and Statement of Activities. These statements also provide information about governmental and business type activities of the whole District while presenting an aggregate and long term view of the District finances.

The fund financial statements provide the next level of details and consist of Governmental Fund, Proprietary Funds and Fiduciary Funds. These statements examine the District's most significant funds, i.e., the General, Special Revenue and Capital Project Funds. Governmental funds statements present how services were financed in the short-term as well as the funds remaining for future spending in the Proprietary funds statements.

REPORTING THE SCHOOL DISTRICT AS A WHOLE (DISTRICT-WIDE REPORTING)

Statement of Net Assets and Statement of Activities- (Exhibits A-1, A-2)

The view of the District as a whole looks at all financial transactions and ask the questions, "Are we in a better financial position this year compared to last year?" and "Why?" or "Why not?" The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The statements include all Assets and all liabilities using the accrual basis of accounting similar to the basis of accounting used by most Private sector companies. This basis of accounting takes into consideration all the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's Net Assets and any changes in those assets. The change in net assets is very important because it tells the reader whether the financial position for the District as a whole has improved or diminished. The cause of this change may be due to many factors, including factors that are not under the district's control, such as the City of Orange Township's property tax base, State of New Jersey schools funding formula, and Federal funds available for schools.

The Statement of Net Assets and Statement of Activities are divided into two distinct kinds of activities.

Governmental Activities –Most of the District's programs and services reported here include instructions, support services, operation and maintenance of plan, pupil transportation, school business administration, and interest costs.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008

REPORTING THE SCHOOL DISTRICT AS A WHOLE (DISTRICT-WIDE REPORTING) *(continued)*

Statement of Net Assets and Statement of Activities – Continued

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District food service activities are reported as business activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS FUND LEVEL REPORTING

The analysis of the district's major funds begins on Exhibit B-1. Fund level financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. New Jersey school districts are required to treat all governmental and enterprise funds as major funds because of the importance placed on these funds by users of these financial statements, as well as, state and federal requirements.

Governmental Funds (Exhibit B1,B2) – Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the accounting method called **Modified Accrual Accounting**. This method of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detail short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship or differences between governmental activities reported at the District-wide level and those reported at the Fund Level are reconciled in the financial statements of the governmental funds.

In New Jersey, the State Supreme Court mandates the State to guarantee equal access to education for children in economically under privilege Districts called Abbott Districts. The City of Orange Township School District is categorized as an Abbott District.

Proprietary Fund (Exhibit B3-B5) – Food Service Fund has historically operated as Enterprise Fund using the same basis of accounting as business-type activities; these statements will essentially match the information provided in the basic financial statements for the District as a whole.

Fiduciary Funds (Exhibit B6, B7) – The Board acts as a Fiduciary or Trustee for these funds. Activities of these funds are excluded from the District Wide financial statements, because Board can not use the assets of these funds to finance its operations.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS FUND LEVEL
REPORTING** *(continued)*

Financial Analysis of District as a Whole

City of Orange Township Board of Education Changes in Net Assets Table 1 & II

Table I shows the changes in net assets for the fiscal year 2008 in comparison with the Fiscal Year 2007. There has been an increase of 25.5% in the total net assets in comparison with the last fiscal year, primarily attributable to construction aid of \$21 million expended by NJ School Construction Authority on behalf of the District.

Table II shows the comparative summary of Statements of Activities for the fiscal years 2007 and 2008 respectively. Charges for services decreased by 0.7%; operating grants and contributions increased 5.3%. Federal and State Aid (unrestricted) exhibited an increase of 29.3%. An overall increase of 21.1% was shown in the total revenue. At the expenditure end, board experienced an overall increase of 0.8%. The dependence upon general revenues for governmental activities is apparent. Over 99% of total governmental activities are supported through revenue streams such as unrestricted State aid, property taxes and operating grants and contributions.

City of Orange Township Board of Education Changes in Net Cost of Service Table III

The Statement of activities (Exhibit A-2) also shows the net cost of program services and the charges for these services and offsetting grants. Net Cost of Service is the financial burden placed on tax payer for the fiscal year. Table III illustrates the net cost of services in a comparative summary for the two fiscal years i.e., 2008 and 2007 respectively. Net Cost of Service exhibited an overall decrease of 0.5%.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Table I - The District As A Whole
Comparative Summary of Statement of Net Assets
For the fiscal years ended June 30, 2008 and June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>	<u>Percentage</u> <u>Change</u> <u>2007-2008</u>
ASSETS							
Current and Other Assets	\$ 3,295,108	\$ 276,159	\$ 3,571,267	\$ 1,891,801	\$ 976,888	\$ 2,868,689	24.5%
Capital Assets (net of accum.depr.)	88,381,843	312,922	88,694,765	68,967,972	346,105	69,314,077	28.0%
Total Assets	<u>\$ 91,676,951</u>	<u>\$ 589,081</u>	<u>\$ 92,266,032</u>	<u>\$ 70,859,773</u>	<u>\$ 1,322,993</u>	<u>\$ 72,182,766</u>	<u>27.8%</u>
LIABILITIES							
Liabilities:							
Current and Other Liabilities	5,345,328	828,093	6,173,421	2,094,627	1,341,673	3,436,300	79.7%
Long Term Liabilities:							
Due Within One Year	104,041	-	104,041	92,342	-	92,342	12.7%
Due In More Than One Year	1,365,549	-	1,365,549	1,212,001	-	1,212,001	12.7%
Total Liabilities	<u>\$ 6,814,918</u>	<u>\$ 828,093</u>	<u>\$ 7,643,011</u>	<u>\$ 3,398,970</u>	<u>\$ 1,341,673</u>	<u>\$ 4,740,643</u>	<u>61.2%</u>
NET ASSETS							
Invested in Capital Assets Net of Debt (Note 15)	88,381,843	312,922	88,694,765	68,967,972	346,105	69,314,077	28.0%
Restricted for:							
Capital Projects	-	-	-	705,539	-	705,539	-100.0%
Unrestricted	(3,519,846)	(551,934)	(4,071,780)	(2,212,708)	(364,785)	(2,577,493)	58.0%
Total Net Assets	<u>\$ 84,861,997</u>	<u>\$ (239,012)</u>	<u>\$ 84,622,985</u>	<u>\$ 67,460,803</u>	<u>\$ (18,680)</u>	<u>\$ 67,442,123</u>	<u>25.5%</u>
Total Liabilities and Net Assets	<u>\$ 91,676,915</u>	<u>\$ 589,081</u>	<u>\$ 92,265,996</u>	<u>\$ 70,859,773</u>	<u>\$ 1,322,993</u>	<u>\$ 72,182,766</u>	<u>27.8%</u>

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Table II - The District As A Whole

Comparative Summary of Statement of Activities

For the fiscal years ended June 30, 2008 and June 30, 2007

	2008			2007			Total Percentage Change 2007-2008
	Governmental	Business Type	Total	Governmental	Business Type	Total	
	Activities	Activities		Activities	Activities		
REVENUES							
Program Revenues:							
Charges for Services	\$ 94,326	\$ 238,598	\$ 332,924	\$ 45,000	\$ 290,298	\$ 335,298	-0.7%
Operating Grants and Contributions	15,022,374	1,514,928	16,537,302	14,124,881	1,584,271	15,709,152	5.3%
General Revenues:							
Property Taxes	8,931,421	-	8,931,421	8,931,421	-	8,931,421	0.0%
Federal and State Aid not Restricted	81,208,613	-	81,208,613	62,893,502	-	62,893,502	29.1%
Earnings on Investments	55,856	-	55,856	132,723	-	132,723	-57.9%
Transfers	-	-	-	-	-	-	-
Other	300,375	-	300,375	452,852	-	452,852	-33.7%
Total Revenues	\$ 105,612,965	\$ 1,753,526	\$ 107,366,491	86,580,379	1,874,569	88,454,948	21.4%
Program Expenses							
Instruction:							
Instructional Services	\$ 44,219,180	\$ -	\$ 44,219,180	\$ 40,273,874	\$ -	\$ 40,273,874	10%
Total Instructional Expenses	\$ 44,219,180	\$ -	\$ 44,219,180	\$ 40,273,874	\$ -	\$ 40,273,874	

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Table II - The District As A Whole (*Cont'd*)
Comparative Summary of Statement of Activities
For the fiscal years ended June 30, 2008 and June 30, 2007

	2008			2007			Total Percentage Change 2007-2008
	Governmental Activities	Business Type Activities	Total 2008	Governmental Activities	Business Type Activities	Total 2007	
Subtotal Brought Forward:	\$ 44,219,180	\$ -	\$ 44,219,180	\$ 40,273,874	\$ -	\$ 40,273,874	9.8%
Support Services:							
Attendance/Social work	322,041	-	322,041	367,009	-	367,009	-12.3%
Health Services	1,275,363	-	1,275,363	1,161,479	-	1,161,479	9.8%
Other support services	15,245,056	-	15,245,056	12,016,515	-	12,016,515	26.9%
Improvement of Instruction	4,209,877	-	4,209,877	8,476,576	-	8,476,576	-50.3%
Instructional staff	655,118	-	655,118	847,913	-	847,913	-22.7%
School Library	1,692,798	-	1,692,798	1,380,219	-	1,380,219	22.6%
General Administration	1,212,542	-	1,212,542	1,626,485	-	1,626,485	-25.5%
School administrative services	3,612,128	-	3,612,128	3,305,330	-	3,305,330	9.3%
Central Services	2,038,588	-	2,038,588	1,845,413	-	1,845,413	10.5%
Required maintenance	672,954	-	672,954	783,585	-	783,585	-14.1%
Operation of plant	7,752,487	-	7,752,487	11,476,936	-	11,476,936	-32.5%
Student transportation	4,160,192	-	4,160,192	2,858,200	-	2,858,200	45.6%
Business and other support services and benefits	-	-	-	-	-	-	-
Capital outlay	-	-	-	90,052	-	90,052	-100.0%
Special schools	40,574	-	40,574	45,683	-	45,683	-11.2%
Food Service	-	2,442,598	2,442,598	-	2,311,440	2,311,440	5.7%
Total Expenses	87,108,898	2,442,598	89,551,496	86,555,269	2,311,440	88,866,709	0.8%
Change in Net Assets	\$ 17,401,194	\$ (220,332)	\$ 17,180,862	\$ 25,110	\$ (436,871)	\$ (411,761)	-4272.5%

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Table III – The District As A Whole
Comparison of Net Cost of Service For Governmental Activities
For the fiscal years ended June 30, 2008 and June 30, 2007

<u>Functions / Programs</u>	<u>Net Cost of Service 2008</u>	<u>Net Cost of Service 2007</u>	<u>Percentage Change 2007-2008</u>
Instruction:			
Regular Program	\$ 42,463,809	\$ 38,324,886	10.8%
Undistributed -Current:			
Attendance/Social work	322,041	367,009	-12.3%
Health Services	1,275,363	1,161,479	9.8%
Support Services	1,883,727	(204,378)	-1021.7%
Improvement of instruction	4,209,877	8,476,576	-50.3%
School library	1,692,798	847,913	99.6%
Instructional staff training	655,118	1,380,219	-52.5%
General administration	1,212,542	1,626,485	-25.5%
School administration	3,612,128	3,305,330	9.3%
Central services	2,038,588	1,845,413	10.5%
Required maintenance of plant services	672,954	783,585	-14.1%
Operation of plant	7,752,487	11,476,936	-32.5%
Student transportation	4,160,192	2,858,200	45.6%
Business and other support services & benefits	-	-	-
Capital outlay	-	90,052	-100.0%
Special Schools-current	40,574	45,683	-11.2%
Total Governmental Expenses	<u>\$ 71,992,198</u>	<u>\$ 72,385,388</u>	<u>-0.5%</u>

ASSETS, LIABILITIES AND NET ASSETS

By June 2008, the City of Orange Township School District had total assets of \$92,266,032 with 3.9% (or \$3,571,267) of those assets in current assets, and 96.1% (or \$88,694,765) being the net value of Capital Assets. (Table I)

Business-Type Activities

Business-type activities consist of food service operation. These programs had revenues of \$1,753,526 and expenses of \$2,442,598 for fiscal year 2008. Over 86% of those program revenues were from federal and state food nutrition programs. The District also participates in the USDA commodities program. (Table II)

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Management's Discussion and Analysis

For the fiscal year ended June 30, 2008

ASSETS, LIABILITIES AND NET ASSETS *(continued)*

The District's Governmental Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$105,612,965 and expenditures of \$106,888,400. Resulting in a deficit of \$1,275,435 in fund balance for governmental funds (Exhibits B1 & B2)

General Fund Budgeting Highlights

The District's budget is prepared according to the State of New Jersey budget law and is based on a basis of cash receipts, disbursements, and encumbrance system. The most significant budgeted funds are the General Fund and the Special Revenue Fund.

During the fiscal year 2008, the District amended its general fund budget several times. The amendments are due to changes in expenditure priorities of the District. The State of New Jersey Budget guidelines provide flexibilities for Districts to amend budget line items upon the Board's approval.

The general fund final budget revenue was \$67,540,094 representing a \$1,001,113 decrease over fiscal year 2007 budget. The decrease was due to preschool expansion aid and extraordinary aid that board did not received in 2007. Fiscal year 2008, General Fund budget expenditures were \$73,135,420, about 1.0% decrease over fiscal year 2007 budget of \$74,194,854. (Exhibit C-1)

At June 30, 2008, the District had fund balance reserved for encumbrances of \$743,412 and unreserved deficit fund balance of \$1,797,366 in the Governmental Funds. The deficit was primarily due to the deferral of last state aid payment of \$3,057,782 to fiscal year 2009 and an over-funding of the 2007/2008 budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year 2008, the City of Orange Township School District had Total Net Capital Asset of \$88,381,843 of the total \$1,037,489 in site improvements, \$39,766,938 building improvements, \$1,511,880 in Land and \$5,409,532 in machinery and equipment, and \$59,533,091 construction in progress being undertaking by the New Jersey Economic Development Authority/School Construction Corporation (SCC) under the Educational Facilities Construction Financing Act.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Management's Discussion and Analysis
For the fiscal year ended June 30, 2008

ASSETS, LIABILITIES AND NET ASSETS *(continued)*

Debt Administration and Other Obligations

The District does not have any outstanding bond issues.

Economic Factors

The City of Orange Township is located in the center of New Jersey's industrial corridor, which extends from New York City to Philadelphia, and has experienced some of the same developments, which has affected large parts of northeastern and central New Jersey in terms of industrial relocation. Both manufacturing and non-manufacturing firms have tended, in recent years, to move from the cities large industrial parks located near the interstate highways.

The Township of Orange, over the past years, has experienced a resurgence in moderate and market rate housing development. In addition, a number of businesses are springing up and/or relocating to the area has resulted in an increase in the employment level.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City of Orange Township School District's accountability for the School District's finances and funding it receive. If you have questions about this report or need additional financial information you can contact Adekunle James, School Business Administrator/Board Secretary at City of Orange Township Board of Education, 451 Lincoln Avenue, Orange, New Jersey 07050.

FIDUCIARY FUNDS

DISTRICT – WIDE FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the “Board”) City of Orange Township School District, County of Essex (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below:

A. Reporting Entity:

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is also to impose its will on that organization or there is a potential for the organization to provide specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the City of Orange Township School District in Orange, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of officials appointed by the Mayor of the City of Orange Township and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The basic financial statements include all funds and accounts of the District over which the Board exercises operating control, including elementary, junior and senior high schools located in the City of Orange Township.

The District has no component units that are required to be included within the reporting entity as forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and the proprietary fund (major fund) are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Position

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, except property taxes, to be available if they are collected within six months of the end of the current fiscal year. Property taxes are considered to be available if they are collected within 60 days of the end of the fiscal year. State equalization monies are recognized as revenue during the period in which they are appropriated. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, pension obligations, capital lease expenditures, and claims and judgments are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal year.

The District has reported the following major governmental funds:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue fund.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The District has reported the following major enterprise fund:

Food Service Fund - The food service fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation trust fund, private purpose scholarship funds and agency funds. The trust funds are reported using the economic resources measurement focus. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District. They are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds (Unemployment Compensation and Private-Purpose Scholarship Fund): The unemployment compensation trust fund is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private- purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll and Student Activities Fund) - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In its accounting and financial reporting for proprietary fund types, the Board 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 enterprise fund has elected not to apply the standards issued by the FASB after November 30, 1989.

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales of food. Operating expenses for the enterprise fund includes the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The District reports deferred revenue on its combined balance sheets. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheets and revenue is recognized.

Ad Valorem (property) taxes are susceptible to accrual, as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 monies under the established payment schedule, and the uncollected amount is considered to be an “accounts receivable.”

The County Board of Taxation is responsible for the assessment of properties, and the Township Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office and are approved by the Board of School Estimate and the New Jersey Department of Education. The general fund budget is prepared using the modified accrual basis of accounting, while the special revenue fund budget is prepared using the non-GAAP basis (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution and the State of New Jersey. The over-expenditure in the general fund is due to the inclusion of the non-budgeted 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 over-expenditures. However, due to the approval of the District’s budget by the State being subsequent to June 30, 2004, numerous detail budgetary account lines were over-expended and transfers were not made. (See Note 17 for further information).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For the governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

only and the special revenue fund as noted below. Encumbrance accounting is 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.

E. Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less. The District classifies certificates of deposits, which have original maturity dates of more than three months but less than twelve months from the date of purchase as investments and are stated at cost.

F. Interfund Receivables/Payables

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.

G. Inventories

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

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

At June 30, 2008, the unused Food Donation Program Commodities of \$0 are reported as deferred revenue.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

H. Capital Assets

Capital assets, which include land, property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$0 and an estimated useful life in excess of two years. Such assets are recorded at historical cost based on historical records or through estimation procedures performed by an independent appraisal company and annually updated based upon the cost of capital assets purchased by the District. Donated capital assets are valued at their estimated fair value on the date received.

Expenditures that enhance the asset or significantly extend the useful life of the assets are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance that do not add to the values of the asset or materially extend the asset lives are not capitalized.

Property, buildings and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Buildings	50
Building improvements	20
Machinery and equipment	2-20
Vehicles	5-10

I. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2004, the District did not have any employees selecting this option.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

J. Compensated Absences

A liability for compensated absences that is attributable to services already rendered and that is 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. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

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

The liability for vested compensated absences of the District is recorded in the district-wide financial statements and amounted to \$1,469,590 at June 30, 2008. A liability for these amounts is reported in governmental fund types only if they have matured, for example, as a result of employee resignations and retirements.

The liability for vested compensated absences of the enterprise fund is recorded within that fund as the benefits accrue to employees. As of June 30, 2008, no liability existed for compensated absences in the enterprise fund.

K. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned, and outstanding encumbrances. Deferred revenue in the food service enterprise fund represents the balance of unused Food Donation Program commodities.

L. Long-Term Obligations

In the district-wide financial statements, and the proprietary fund type in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets, where applicable.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent plans for future use of financial resources that are subject to change.

N. Net Assets

Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

O. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for reserved fund balance – excess surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2008 is \$0.

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Q. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey social security contributions and post-retirement pension medical benefits for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

NOTE 2. GENERAL FUND – FUND BALANCE APPROPRIATED

Of the \$(1,797,366) deficit General Fund balance at June 30, 2008, \$743,412 is reserved for encumbrances; and \$(2,540,366) is an unreserved and undesignated deficit.

NOTE 3. DEPOSITS AND INVESTMENTS

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government 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 last equal to 5% 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.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS *(continued)*

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, the Federal Savings and Loan 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.

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 no less than \$25,000,000.

The carrying amount of the District's deposits at June 30, 2008 was \$2,973,414 and the bank balance was \$4,365,697. Of the bank balance, \$369,000 was covered by federal depository insurance and \$4,365,697 was covered by a collateral pool maintained by the bank as required by New Jersey Government Unit Deposit Protection Act (GUDPA).

Investments

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

A. Bonds and other obligations of the United States or obligations guaranteed by the United States.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS *(continued)*

B. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.

C. New Jersey Cash Management Fund (NJCMF), New Jersey Arbitrage Rebate Management Fund (NJARM) and MBIA CLASS.

The District did not have any investments during the year ended or at June 30, 2008.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows for governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets that are not being depreciated:				
Land	\$ 1,511,880	\$	\$	\$ 1,511,880
Construction in progress	38,557,457	20,975,634		59,533,091
Total capital assets not being depreciated	40,069,337	20,975,634		61,044,971
Capital assets being depreciated:				
Site improvements	1,037,489			1,037,489
Building and building improvements	39,101,077	665,851		39,766,928
Machinery and equipment	5,592,622	182,538	(365,628)	5,409,532
Total capital assets being depreciated	45,731,188	848,389	(365,628)	46,213,949
Less accumulated depreciation for:				
Site improvements	(776,073)	(44,328)		(820,401)
Building and improvements	(11,789,000)	(1,659,665)		(13,448,665)
Equipment	(4,267,480)	(340,531)		(4,608,011)

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 4. CAPITAL ASSETS *(continued)*

Total accumulated depreciation	(16,832,553)	(2,044,524)	(18,877,077)
Total capital assets being depreciated, net of accumulated depreciation	28,898,635	(1,196,135)	(365,628)
Governmental activities capital assets, net	<u>\$ 68,967,972</u>	<u>\$19,779,499</u>	<u>\$(365,628)</u>
			<u>\$88,381,843</u>

The construction in progress relates to school construction projects being managed and constructed by the New Jersey Schools Construction Corporation (NJSCC).

See Note 13 for additional information.

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

	<u>Amount</u>
Instruction	\$ 218,186
Attendance and social work	2,713
Health services	3,539
Other support: instruction staff	37,663
General administration	81,744
School administration	58,222
Student transportation	22,905
Operation of plant	790,430
Improvement of instruction	829,122
Total depreciation expense - governmental activities	<u>\$ 2,044,524</u>

The following is a summary of business-type capital assets at June 30, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities:			
Equipment	\$871,513	\$ -	\$871,513
Less accumulated depreciation for:			
Equipment	525,408	33,183	558,591
Business-type activities capital assets, net	<u>\$346,105</u>	<u>\$33,183</u>	<u>\$312,922</u>

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 5. LONG-TERM LIABILITIES

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	<u>\$1,304,242</u>	<u>\$257,690</u>	<u>\$(92,342)</u>	<u>\$1,469,590</u>	<u>\$104,041</u>
Totals	<u>\$1,304,242</u>	<u>\$257,690</u>	<u>\$(92,342)</u>	<u>\$1,469,590</u>	<u>\$104,041</u>

The general fund is used to liquidate the compensated absences payable.

The School District currently operates as a Type I district, and, as such, the debt for capital projects is issued by and repaid by the City of Orange Township. Therefore, there are no serial bonds payable recorded on the financial statements of the District.

NOTE 6. PENSION PLANS

Plan Descriptions

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity

Fund retirement system is considered a cost-sharing, multiple employee 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 Board and the System's other related non-contributing employers. The Public Employees' Retirement System is considered a cost sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 6. PENSION PLANS *(continued)*

care, to substantially all full-time public school teachers. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits 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).

Public Employees' Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years of health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 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 State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Essex County Pension Fund

The Board of Education Employees Pension Fund of Essex County was established through the passage of Chapter 112, Public Laws of 1929. The program was expanded significantly by amendatory legislation from the fund's inception through

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 6. PENSION PLANS *(continued)*

2006. Service retirement occurs on or after age 60 with a benefit of 1/45 of the final three year's salary times years of service. An early retirement benefit is available for employees with 25 years of service, with the benefits reduced by 1/4 of 1% for each month under age 60. At June 30, 2008, the Board had two active employees that participate in the Essex County Pension Fund.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

The District contributions to PERS for the years ended June 30, 2008, 2007, and 2006 were \$366,616, \$352,063 and \$437,058.

During the year ended June 30, 2008, the State of New Jersey contributed \$1,563,386 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A.18A:66-66 the State of New Jersey reimbursed the District \$2,721,871 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the fund financial statements.

NOTE 7. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is administered by the State of New Jersey, Division of Pensions, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. Under current Internal Revenue Service regulations, all amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 7. DEFERRED COMPENSATION *(continued)*

attributable to these amounts shall be held in trust for the exclusive benefit of the participating employees and their beneficiaries. The State has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 8. POST-EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after reaching age 60 and accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007. In accordance with P.L. 2002, c.11 which allowed the State to use available reserves in the Post-Retirement Medical Reserve Funds to cover pay-as-you-go medical premiums, the State did not make a contribution to the PERS and TPAF in fiscal year 2002 toward the cost of post-retirement medical benefits. This legislation also suspends in fiscal years 2002 and 2003 the additional post-retirement medical contribution to increase the fund balance by one-half of one percent of active member salaries for the valuation period. State law provides that post-retirement medical contributions resume in fiscal year 2004.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2004, the State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in fiscal year 2007.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 9. CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the District, 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 combined financial statements for such contingencies.

The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

In addition, the District is currently involved in contract negotiations with one of its labor unions. These negotiations may result in retroactive pay to eligible parties; as such an estimated liability has been recorded.

NOTE 10. 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 and does not retain risk of loss. There have been no significant reductions in insurance coverages from the prior year and no settlements have exceeded insurance coverages over the past three years.

New Jersey Unemployment Compensation

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charges to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2008

NOTE 10. RISK MANAGEMENT *(continued)*

employee contributions and reimbursements to the State for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years.

Fiscal Year	District/Employee Contributions	Amount Paid	Balance at End of Year
2007-08	\$162,094	\$156,142	\$ 38,946
2006-07	234,619	316,121	15,673
2005-06	272,768	227,573	111,851

The District maintains a risk management program, which self insures worker's compensation claims of the District. The District contracts with a third-party administrator, the New Jersey School Boards Association Insurance Group, to provide claims administration and payment services. The District is no longer self insured for worker's compensation claims. However, the District is responsible for satisfying claims outstanding.

As of June 30, 2008, incurred but not reported (IBNR) worker's compensation claims of \$147,449 have been accrued as a liability based upon an actuary's estimate.

In addition, the District has a limited risk management program for its health insurance and dental insurance. This activity is reported in the general fund and no accrual for incurred but not reported (IBNR) health insurance claims in 2008.

Changes in the funds incurred but not reported claims liability amount in fiscal years 2008 and 2007 were:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2007-08	\$29,036	\$ 145,532	\$ 27,119	\$147,449
2006-07	\$72,589	\$ -	\$(43,553)	\$ 29,036

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 11. TRANSFERS-RECONCILIATION

Fund	Out	In
General Fund	\$ 681,607	\$ 4,291,022
Special Revenue	4,291,022	212,867
Enterprise Fund	-	468,740
	<u>\$ 4,972,629</u>	<u>\$ 4,972,629</u>

The \$212,867 transfer between the general fund and special revenue fund represents the Board contribution to the Pre-School disability Program in the current year.

The transfer between the special revenue fund and the general fund in the amount of \$4,291,022 represents the contribution of Demonstrably Effective Program Aid, Early Childhood Program Aid and Title I Aids to Whole School Reform.

NOTE 12. ECONOMIC DEPENDENCY

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

NOTE 13. CONSTRUCTION FINANCING ACT-SCHOOLS CONSTRUCTION CORPORATION (SCC)

The District is classified as an Abbott District and as a result, the New Jersey Schools Construction Corporation (SCC) is administering the majority of the construction projects of various school improvement projects within the District that are part of the District's Long-Range Facility Plan. As of June 30, 2008, \$20,975,634 had been expended for construction on behalf of the District and the total amount of approved projects at June 30, 2008 is \$139,199,094.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Notes to the Financial Statements
June 30, 2008

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

Individual fund Interfund receivables and payable balances at June 30, 2008 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 6,180,499	\$ -
Special Revenue Fund	-	6,088,541
Enterprise Fund – Food Service	-	31,915
Trust and Agency Fund – Payroll	-	60,043
	<u>\$ 6,180,499</u>	<u>\$ 6,180,499</u>

The interfund represents amounts loaned by the General Fund to the Enterprise Fund – Food Services and the Trust and Agency Fund – Payroll. All inter-funds are expected to be paid within one year.

NOTE 15. DEFICIT FUND BALANCES

The District has deficits fund balances of \$1,797,366 in the General Fund and \$299,648 in the Special Revenue Fund as of June 30, 2008 as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 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 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, expenditures, asset, and 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. Further, the district over funded its subsequent year budget (i.e. 2006/07) with undesignated fund balance that did not materialized.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

OTHER SUPPLEMENTARY INFORMATION

SINGLE AUDIT SECTION

**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
City of Orange Township Public Schools
County of Essex
Orange, New Jersey

We have audited the financial statements of the Board of Education of the City of Orange Township Public Schools, in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States; and 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Orange Township Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Orange Township Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Orange Township Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (08-01).

Internal Control Over Financial Reporting- cont'd.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described above, we consider item 08-01 to be material weakness.

Compliance and Other Matters

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

We noted certain matters that we have reported to the City of Orange Township Public Schools in the separate report entitled, *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 23, 2008.)

This report is intended solely for the information and use of the audit committee, management, the City of Orange Township Public Schools, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

H. O'Neil Williams, CPA
Licensed Public School Accountant
No. 20CS00079500
October 23, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and
Members of the Board of Education
City of Orange Township Public Schools
County of Essex
Orange, New Jersey

Compliance

We have audited the compliance of the Board of Education of the City of Orange Township Public Schools, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the U. S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008. City of Orange Township Public Schools' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the City of Orange Township Public Schools' management. Our responsibility is to express an opinion on the City of Orange Township Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the City of Orange Township Public Schools' 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. Our audit does not provide a legal determination on the City of Orange Township Public Schools' compliance with those requirements.

In our opinion, the City of Orange Township Public Schools, in the County of Essex, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB circular A-133 and The State of New Jersey OMB's circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 08-02, 08-03 and 08-04.

Internal Control Over Compliance

The management of the Board of Education of the City of Orange Township Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Orange Township Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal and state financial awards program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Orange Township Public Schools' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. City of Orange Township Public Schools' responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Orange Township Public Schools' response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, the City of Orange Township Public School, the New Jersey Department of Education, other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

H. O'Neil Williams, CPA
Licensed Public School Accountant
No. 20CS00079500

October 23, 2008

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to Schedules of Expenditures of Federal Awards
and State Financial Assistance

June 30, 2008

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food services fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 last state aid payment if the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferred and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A 18A:22-4.2.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS

Notes to Schedules of Expenditures of Federal Awards
and State Financial Assistance

June 30, 2008

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

The net adjustments to reconcile from the budgetary basis to the GAAP are \$15,279 for general fund and \$675,611 for special revenue fund. See exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal and State awards are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 83,769	\$ 60,149,957	\$ 60,233,726
Special Revenue Fund	4,460,395	10,531,942	14,992,337
Capital Project Fund	-	20,975,634	20,975,634
Enterprise Fund	1,440,885	74,043	1,514,928
Total	<u>\$ 5,985,049</u>	<u>\$ 91,731,576</u>	<u>\$ 97,716,625</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2008. 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, 2008.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
 Schedule of Findings and Questioned Costs
 For the fiscal year ended June 30, 2008

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditor's report issued:	<u>Unqualified</u>	
	Yes	No
Internal control over financial reporting:		
1) Material weakness(es) identified?	X	
2) Significant deficiencies identified that are not Considered to be material weaknesses?		X
Noncompliance material to basic financial statements noted?		X

Federal Awards	<u>Yes</u>	<u>No</u>
-----------------------	-------------------	------------------

Internal Control over major programs:		
1) Material weakness(es) identified?		X
2) Significant deficiencies identified that are not Considered to be material weaknesses?	X	
Type of auditor's report on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?		X

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.027	IDEA Part B
84.137	IDEA –Part B Preschool
10.553	National Special Breakfast Program
10.555	National School Lunch Program (NSLP)
10.000	School Snack Program

Dollar threshold used to determine Type A and Type B programs:	\$300,000
Auditee qualified as low-risk Auditee?	X

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
 Schedule of Findings and Questioned Costs
 For the fiscal year ended June 30, 2008

PART I - SUMMARY OF AUDITOR'S RESULTS

State Awards

Dollar threshold used to determine Type A and Type B programs:	\$1,314,924	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk Auditee?	X	
Type of auditor's report on compliance for major programs:		<u>Unqualified</u>
Internal Control over major programs:		
1) Material weakness(es) identified?		X
2) Significant deficiencies identified that are not Considered to be material weaknesses?	X	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular 04-04?	X	

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
495-034-5120-022	Core Curriculum Standard Aid
495-034-5120-049	Educational Opportunity Aid
495-034-5064-002	Demonstrably Effective Program Aid
495-034-5095-002	TPAF Social Security Contributions

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2008

PART II - SCHEDULE OF FINANCIAL STATEMENT FINDINGS

Material Weakness

08-1 Board Secretary's Records

Criteria: Effective internal control comprises reconciling of the general ledger to the underlying records in order to ensure accurate recordkeeping.

Condition: The City of Orange Township Public Schools did not constantly maintain a general ledger that was reconciled to the District's underlying records in order to properly account for and report financial transactions. Some accounts were not fully reconciled to supporting documentation and underlying records within the major funds, this resulted in some audit adjustments.

Context: The differences were identified during the audit of account balances within each fund.

Effect: Certain account balances were overstated.

Cause: The Business Office was not adequately staffed during the course of the year. Further, the accounting software vendor and/or the district did not properly set the general ledger tables for the charts of accounts.

Recommendation:

While the City of Orange Township Public Schools has made some strides in improving on its reconciliation of the monthly Board Secretary report to the general and the Treasurer of School Money's report, and ensuring differences are resolved. Nevertheless, the District should continue to strengthen accounting and internal control over financial reporting.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2008

**PART III - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

FEDERAL AWARD

08-2 CFDA # 84.010: Elementary and Secondary School Improvement Act of 1965 (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

Criteria:

This section of the CAFR documents the financial position pertaining to the projects under Title 1 of the Elementary and Secondary School Education Act as amended.

Condition:

The performance level of the middle school students in the District is not at par with the targets set by the State. The middle school is in the list of schools in need of improvement.

Questioned costs:

Cannot be determined

Effect:

This reflects that the students are not performing at expected levels.

Cause:

The affected school did not make adequate yearly progress.

Recommendation:

We recommend that the District continues in its efforts, ensuring that individual school intensifies its needs assessments and identify teaching models that can improve teaching and learning efficiency. Furthermore, the process of evaluating the performance of students in the District should be coupled with follow-ups to ensure that plans to help improve learning are implemented.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2008

**PART III - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

STATE AWARDS

08-3 Allowability and eligibility – Application for State School Aid- Low – Income students

Criteria:

The District is required to maintain work papers that document the compilation of low-income eligibility data and provides an audit trail for testing information reported in the A.S.S.A. This condition could impact eligibility of the related programs.

Condition: We tested 291 students, but could not verify eligibility for 23 students due to missing lunch applications while we were unable to trace 16 students to the school register.

Questioned costs:

Cannot be determined

Effect:

Overstatement of the number of eligible students in A.S.S.A could result in reduction of future state aid.

Cause:

This depicts ineffective control over eligibility procedure.

Recommendation:

We recommend that the District take appropriate measures to improve on confirmation of student's eligibility status by reconciling the individual school registers with the direct certification listing and ensure that only eligible students are reported.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2008

**PART III - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

STATE AWARDS – Continued

08-4 Application for State School Aid- Special Education Program

Criteria:

The District is required to maintain workpapers that document the compilation of students' test scores data and provides an audit trail for testing information reported in the A.S.S.A. This condition could also impact eligibility requirement of the related program.

Condition:

Fifteen (15) students reported as special education students could not be verified because they were misclassified in the wrong tiers, while the IEP for one (1) student was not provided for our verification.

Questioned costs:

Cannot be determined

Cause:

This implies ineffective control over eligibility procedure.

Recommendation:

We recommend that the District take appropriate steps to ensure compliance with eligibility criteria for the Special Education Program.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Summary Schedule of Prior Audit Findings
For the fiscal year ended June 30, 2008

[This section identifies status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (Section .315(a)(b), and NJ OMB Circular 04-04.]

07-1 Board Secretary's Records

Condition: The District did not maintain a general ledger that was completely reconciled to the District's underlying records in order to properly account for and report financial transactions. Some accounts were partially reconciled to supporting documentation and underlying records within the major funds, this resulted in some audit adjustments.

Current Status: This condition still exists, but has improved over the previous fiscal year and is presented as findings 08-1.

07-2 Elementary and Secondary School Improvement Act of 1965 (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

Condition:

The performance level of the middle school students in the District is not at par with the targets set by the State. Also, two schools including the middle school have been in the list of schools in need of improvement.

Current Status: This condition still exists, and is presented as findings 08-2, except that two schools now in the list of schools in need of improvement.

07-3 Allowability and eligibility – Application for State School Aid- Low – Income students

Condition: We tested 291 students, but could not verify eligibility for 21 students due to missing lunch applications. Also, workpapers that support the number of on-roll and low-income students reported in A.S.S.A for one school was unavailable.

Current Status: This condition still exists, and is presented as findings 08-3.

CITY OF ORANGE TOWNSHIP PUBLIC SCHOOLS
Summary Schedule of Prior Audit Findings
For the fiscal year ended June 30, 2008

**PART III - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

Reportable Conditions – Continued

07-4 Application for State School Aid- Special Education Program

Condition:

Five (5) students reported as special education students could not be verified because, one student was misclassified, 3 could not be traced to the attendance register, and 1 student left the district. All these were reported in the special education figure.

Current Status: This condition still exists in the fiscal year 2008, and is presented as finding 08-4.