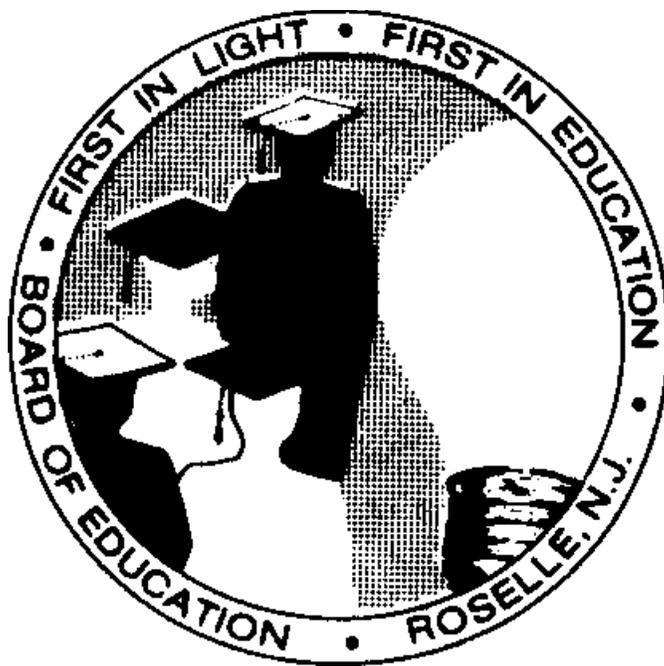


**BOROUGH OF  
ROSELLE SCHOOL DISTRICT  
ROSELLE, NEW JERSEY  
(COUNTY OF UNION)**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

**BOROUGH OF ROSELLE SCHOOL DISTRICT  
ROSELLE, NEW JERSEY  
(COUNTY OF UNION)**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

**Prepared by:  
Borough of Roselle, Board of Education  
Luigi Campana  
Board Secretary / Business Administrator**

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2008

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**TABLE OF CONTENTS**

	<u><b>PAGE NO.</b></u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	1
Roster of Officials.....	5
Consultants and Advisors.....	6
Organizational Chart.....	7
 <b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b> .....	9
<b>Required Supplementary Information (Part I)</b>	
<b>Management's Discussion and Analysis</b> .....	11-17
 <b>Basic Financial Statements</b>	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets.....	19
A-2 Statement of Activities.....	20
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheets.....	21
B-1a Reconciliation of Balance Sheet to Statement of Net Assets.....	22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	23
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statements of Activities.....	24
Proprietary Funds:	
B-4 Statement of Net Assets.....	25
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	26
B-6 Statement of Cash Flows.....	27
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds.....	28
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	29
<b>Notes to the Basic Financial Statements</b> .....	30-53

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2008

---

**TABLE OF CONTENTS**

**PAGE NO.**

**FINANCIAL SECTION – CONTINUED**

**Required Supplementary Information - Part II**

**Other Supplementary Information - Part II**

C. Budgetary Comparison Schedules:		
C-1	Budgetary Comparison Schedule - General Fund.....	55-59
C-2	Budgetary Comparison Schedule- Special Revenue.....	60
C-3	Budget-to-GAAP Reconciliation.....	61
D. School Level Schedules .....		N/A
E. Special Revenue Fund:		
E-1	Combining Schedules of Revenues and Expenditures – Budgetary Basis.....	63-66
E-2	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis.....	67
E-2A	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis Abraham Clark School.....	68
E-2B	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis Washington School.....	69
E-2C	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis Grace Wilday School.....	70
E-2D	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis Leonard V. Moore School.....	71
E-2E	Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis Polk School.....	72
E-2F	Demonstrably Effective Program Aid Schedule of – Budgetary Basis Harrison School.....	73
E-3	Early Childhood Program Aid Statement of Expenditures - Budgetary Basis.....	74
E-3A	Early Childhood Program Aid Statement of Expenditures – Budgetary Basis Preschool.....	75
E-3B	Early Childhood Program Aid Statement of Expenditures - Budgetary Basis Kindergarten.....	76
F. Capital Projects Fund:		
F-1	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis.....	N/A
F-1A	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis - Acquisition of Land and Construction of New Elementary School.....	N/A

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2008

---

**TABLE OF CONTENTS**

**PAGE NO.**

**FINANCIAL SECTION - CONTINUED**

F. Capital Projects Fund (cont'd):		
F-1B	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis – Additions and Renovations to Upper Elementary School.....	N/A
F-2	Summary Statement of Project Expenditures – Budgetary Basis.....	N/A
G. Proprietary Funds		
Enterprise Fund:		
G-1	Combining Statement of Net Assets.....	78
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	79
G-3	Combining Statement of Cash Flows.....	80
H. Fiduciary Fund:		
H-1	Combining Statement of Fiduciary Net Assets.....	82
H-2	Combining Statement of Changes in Fiduciary Net Assets.....	83
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements.....	84
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements.....	85
I. Long-Term Debt		
I-1	Schedule of Serial Bonds.....	N/A
I-2	Schedule of Obligations under Capital Leases.....	87

**STATISTICAL SECTION (Unaudited)**

**STATISTICAL SECTION**

**Financial Trends**

J-1	Net assets by Components.....	89
J-2	Changes in Net Assets.....	90
J-3	Fund Balances – Governmental Funds.....	91
J-4	Changes in Fund Balances – Governmental Funds.....	92
J-5	General Fund Other Local Revenue by Source.....	93

**Revenue Capacity**

J-6	Assessed Value and Estimated Actual Value of Taxable Property.....	94
J-7	Direct and Overlapping Property Tax Rates.....	95
J-8	Principal Property Taxpayers.....	96
J-9	Property Tax Levies and Collections.....	97

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2008

---

**TABLE OF CONTENTS**

**PAGE NO.**

**STATISTICAL SECTION - CONTINUED**

**Debt Capacity**

J-10	Ratios of Outstanding Debt by Type.....	98
J-11	Ratios of General Bonded Debt Outstanding.....	99
J-12	Direct and Overlapping Governmental Activities Debt.....	100
J-13	Legal Debt Margin Information.....	101

**Demographic and Economic Information**

J-14	Demographic and Economic Statistics.....	102
J-15	Principal Employers.....	103

**Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program.....	104
J-17	Operating Statistics.....	105
J-18	School Building Information.....	106
J-19	Schedule of Allowable Maintenance Expenditures by School Facility.....	107
J-20	Insurance Schedule.....	108

**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.....	111
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.....	113
K-3	Schedule of Expenditures of Federal Awards - Schedule A.....	116
K-4	Schedule of Expenditures of State financial Assistance, Schedule B.....	117
K-5	Notes to the Schedules of Awards and Federal Assistance.....	118
K-6	Schedule of Findings and Questioned Costs.....	120
K-7	Summary Schedule of Prior Audit Findings.....	124

## **INTRODUCTORY SECTION**

October 24, 2008

Honorable President and  
Members of the Board of Education  
Roselle Borough  
Union County  
Roselle, New Jersey 07203

Dear Board Members:

The comprehensive annual financial report of the Roselle Borough School District (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 Roselle Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the general purpose financial statement and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendation, are included in the Single Audit Section of this report.

**REPORTING ENTITY AND ITS SERVICES:** The Roselle Borough School District is an independent reporting entity within the criteria adopted by the GASB. All funds and account groups of the District are included in this report. The Roselle Borough Board of Education and all its schools constitute the District's report entity.

The District provides a full range of educational services appropriate to grade level K through 12. These include regular as well as special education for handicapped youngsters beginning with Pre-K. The District completed the 2007-2008 year with an enrollment of 2849 students, which is 2 students above the previous year's enrollment.

The following details the changes in the student enrollment of the District over the last ten years:

<b><u>Fiscal Year</u></b>	<b><u>Actual Student Enrollment</u></b>	<b><u>Percent Change</u></b>
2007/2008	2,849	.01
2006/2007	2,847	.01
2005/2006	2,843	-1.30
2004/2005	2,879	-1.20
2003/2004	2,913	5.00
2002/2003	2,783	0.01
2001/2002	2,752	0.01
2000/2001	2,725	0.01
1999/2000	2,734	2.59
1998/99	2,665	1.99

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

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

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

**BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The object of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund.

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

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

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

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

**OTHER INFORMATION:**

- A) **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 Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit are included in the Single Audit Section of this report.

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

**Respectfully submitted,**

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Dr. Elnardo J. Webster  
Superintendent of Schools

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Luigi Campana  
Business Administrator/Board Secretary

EW/JD:gr

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

**ROSTER OF OFFICIALS  
JUNE 30, 2008**

<b><u>Member of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Shalonda Tanner, President	2009
Rev. Reginald W. Atkins, Vice President	2009
Harry Wyatt, Jr.	2010
Denise Edwards	2010
Erick Cedano	2011
Kerry Pogue-Napoleon	2011
Charles A. Simmons	2009
Lorraine Brooks-Body	2011
Rev. James E. Moore	2010

**Other Officials**

Dr. Elnardo J. Webster, Superintendent of Schools

John D'Angelo, Board Secretary/School Business Administrator (resigned effective 8/1/2008)

Luigi Campana, Board Secretary/School Business Administrator (hired effective 9/9/2008)

Adrian Mapp, Treasurer

Schwartz, Simon , Edelstein, Celso,  
& Kessler, LLP, Board Attorney

Mitchell & Titus, LLP, Auditors

# **BOROUGH OF ROSELLE BOARD OF EDUCATION**

## **CONSULTANTS AND ADVISOR**

### **ARCHITECT**

Gibson Tarquini  
764 Cuthbert Boulevard  
Cherry Hill, New Jersey 08002  
(856) 486-9800

### **INDEPENDENT AUDITORS**

Mitchell & Titus  
201 Route 17 North  
Rutherford, New Jersey 07070-2574  
(201) 806-7900

### **ATTORNEY**

Schwartz, Simon, Edelstein, Celso, & Kessler, LLP  
44 Whippany Road  
P.O. Box 2355  
Morristown, New Jersey 07962-2355  
(973) 301-0001

### **OFFICIAL DEPOSITORY**

Bank of America

### **OFFICIAL NEWSPAPERS**

The Star Ledger  
News Tribune  
The Progress

## **FINANCIAL SECTION**

**LETTER FROM BOROUGH OF ROSELLE**

## **ORGANIZATIONAL CHART**



## **FINANCIAL SECTION**

## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Borough of Roselle School District  
County of Union  
Roselle, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Roselle School District, in the County of Union, 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 Borough of Roselle School District's 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, 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Roselle School District, in the County of Union, State of New Jersey, as of June 30, 2008, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on Pages 11 through 17 and 55 through 61 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 opinions on the financial statements that collectively comprise the Borough of Roselle School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, financial schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements 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 and State Grants and State Aid, respectively, 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.

---

H. O'Neil Williams  
Licensed Public School Accountant  
No. 20CS00079500  
Mitchell & Titus, LLP  
Rutherford, New Jersey  
October 24, 2008

## **BOROUGH OF ROSELLE SCHOOL DISTRICT**

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

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### **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

#### **Fund Financial Statements**

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transaction. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

#### **Governmental Funds**

The School District's activities are reported in 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 the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps the reader 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 in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### **Enterprise Fund**

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2008 are as follows:

- ◆ In total, net assets decreased \$1,423,660 which represents a 14% decrease from 2007. (See Table 1, page 12)
- ◆ General revenues accounted for \$43,389,732 in revenue or 87.7% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$6,078,221 or 12.3% of total revenues of \$49,467,953. (See Table 2, page 13)
- ◆ The School District had \$50,847,583 in expenses; \$6,078,221 of these expenses was offset by program specific charges for services, grants or contributions. General revenues and operating grants were adequate to provide for these programs. (Table 2)
- ◆ Among governmental funds, the General Fund had \$43,424,003 in revenues and \$45,118,193 in expenditures. The General Fund's fund balance decreased by \$1,517,872. (Exhibit C1, pages 55 and 59).

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

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The decrease does not reflect the State last state aid payment of \$793,652 which was deferred in 2008 and not recognized as revenue.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net assets for 2008 compare to 2007.

**Table 1**  
**Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
<b>Assets:</b>			
Current and Other Assets	\$ 6,783,841	\$ 8,251,807	
Capital Assets	6,280,322	6,199,166	
Total Assets	<u>13,064,163</u>	<u>14,450,973</u>	
<b>Liabilities</b>			
Current Liabilities	4,008,052	3,987,342	
Long Term Liabilities	321,850	305,710	
Total Liabilities	<u>4,329,902</u>	<u>4,293,052</u>	
<b>Net Assets:</b>			
Invested in Capital Assets, Net of			
Debt	6,280,322	6,199,166	
Restricted	2,577,240	4,297,431	
Unrestricted	(123,301)	(338,676)	
Total Net Assets	<u>\$ 8,734,261</u>	<u>\$ 10,157,921</u>	<u>\$ (1,423,660)</u>

The District's combined net assets were \$8,734,261 on June 30, 2008. This was a decrease of 14 percent from the prior year.

Table 2 shows changes in net assets for fiscal year 2008 compared to 2007. There was a decrease in net assets of \$1,423,660.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Management's Discussion & Analysis  
For the fiscal year ended June 30, 2008

**Table 2**  
**Changes in Net Assets**

	<b>2008</b>	<b>2007</b>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 323,365	\$ 342,551
Operating Grants and Contributions	<u>5,754,856</u>	<u>5,138,663</u>
	6,078,221	5,481,214
General Revenues:		
Property Taxes	22,538,275	22,171,532
Grants and Entitlements	20,428,848	19,492,777
Other	<u>422,609</u>	<u>813,510</u>
	43,389,732	42,477,819
Total Revenues	49,467,953	47,959,033
Program Expenses:		
Instruction	22,949,044	23,982,861
Support Services:		
Pupils and Instructional Staff	14,157,060	12,908,916
General Administration, School		
Administration, Business Operations		
and Maintenance of Facilities	8,914,510	8,699,353
Pupil Transportation	3,584,399	2,989,131
Business Type Activities	1,193,775	1,122,506
Other	<u>48,795</u>	<u>8,400</u>
Total Expenses	<u>50,847,583</u>	<u>49,711,167</u>
Change in Net Assets	<u>\$ (1,153,248)</u>	<u>\$ (1,752,134)</u>

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 45 percent of revenues for governmental activities for the Roselle School District for fiscal year 2008. The District's total revenues were \$49,467,953 for the year ended June 30, 2008.

**Sources of Revenue for fiscal year 2008**

Federal/State Grants 53 %  
Property Taxes 45 %  
Other 2 %

## BOROUGH OF ROSELLE SCHOOL DISTRICT

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

The total cost of all program and services was \$50,847,583. Instruction comprises 45 percent of District expenses.

### Expenses for fiscal year 2008

Instruction-related 45 %  
Administration, Operations and Maintenance 18 %  
Student Support Services 28%  
Transportation 7 %  
Other 2%

### Business-Type Activities

Revenues for the District's business-type activities (Food Service and Community School programs) were comprised of charges for services and federal and state reimbursements.

- ◆ Expenses exceeded income by \$2,715.
- ◆ Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$817,611.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Net cost of services in 2008 was \$447,379 or 1% greater than 2007. The increase was primarily due to an increase in Pension and Social Security payments.

**Table 3**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 22,949,044	\$20,242,339
Support Services: Pupils and Instructional Staff	14,157,060	11,926,520
General Administration, School Administration, Business, Operations and Maintenance of Facilities	8,914,510	8,914,510
Pupil Transportation	3,584,399	3,584,399
Other	48,795	48,795
Total Expenses	\$48,588,661	\$44,716,563

## BOROUGH OF ROSELLE SCHOOL DISTRICT

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

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Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

“Other” includes special schools and unallocated depreciation.

### Fund Financial Statement

All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$48,326,977 and expenditures were \$50,093,000 resulting in a deficit net change in fund balance of \$1,589,705. The deficit excludes the deferral of the last state aid payment of \$793,652 by the state.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds, excluding the Capital Projects Fund for the fiscal year ended June 30, 2008, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	2008 Amount	Percent of Total	Increase (Decrease) From 2007	Percent of Increase (Decrease)
Local Sources	\$22,538,275	47%	\$366,743	1.6%
State Sources	23,302,236	48%	1,731,202	8%
Federal Sources	2,059,009	4%	(33,613)	(1.6%)
Other	<u>427,457</u>	1%	<u>(386,053)</u>	(47.4)%
Total	\$48,326,977		\$1,678,279	

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2008, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount 2008	Percent of Total	Increase (Decrease) From 2007	Percent of Increase (Decrease)
Current Expense:				
Instruction	\$15,455,761	31%	\$754,783	5%
Undistributed	28,887,409	58%	91,900	.31%
Capital Outlay	386,925	1%	(16,081)	(4)%
Special Revenues	<u>4,974,807</u>	10%	<u>625,330</u>	14%
Total	\$50,093,000		\$1,455,932	

Changes in expenditures were the results of varying factors. Current expense increased due to additional staff and students, and increased health benefits and utility costs. Capital outlay decreased due to cap limitations on budget increases.

**General Fund Budgeting Highlights**

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

**Capital Assets**

At the end of the fiscal year 2008, the School District had \$6,280,323 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007:

**Table 4  
Capital Assets (Net of Depreciation) at June 30,**

	<b>2008</b>	<b>Revised 2007</b>
Site Improvements	\$ 86,356	\$ 49,406
Building and Building Improvements	5,592,652	5,839,776
Machinery and Equipment	<u>601,315</u>	<u>309,984</u>
<b>Total</b>	<u>\$6,280,323</u>	<u>\$6,199,166</u>

## **BOROUGH OF ROSELLE SCHOOL DISTRICT**

Management's Discussion & Analysis

For the fiscal year ended June 30, 2008

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### **For the Future**

The Borough of Roselle School District is in a sound financial condition in 2008/2007 school year; the Department of Education increased state aid by 5.1%. A major concern is the continued enrollment growth of the District with increased reliance on local property taxes.

Borough of Roselle School District's budget for 2007-2008 was initially voted down by the tax payers; however, it was subsequently amended and approved by the Borough of Roselle.

In conclusion, the Borough of Roselle School District has committed itself to quality education and financial excellence for many years. In addition, the School District's system for financial planning, budgetary and interval financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Business Administration/Board Secretary at Roselle Board of Education, Administration Building, 710 Locust Street, Roselle, New Jersey 07203. Please visit our website at [www.roselleschools.org](http://www.roselleschools.org).

**BASIC FINANCIAL STATEMENTS**

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Basic financial statements of the Board of Education of the Borough of Roselle School District (Board/District), New Jersey have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements, and Management Discussion and Analysis for States, Local Governments issued in June 1999.

The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The definition of 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 able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose 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 and over all activities related to the Borough of Roselle School District in Roselle, 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 School District is an instrumentality of the State of New Jersey, established to function as an education institution. The Borough of Roselle School District is a Type II district located in the County of Union, state of New Jersey. As a Type II district, the School District functions through board members elected by the taxpayers. The Board consists of nine officials elected by the taxpayers 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. The purpose of the District is to educate students in Grades K-12.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**F. Reporting Entity** *(continued)*

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

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

The Basic financial statements include all major funds groups of the District over which the board exercises operating control including elementary, intermediate and high schools located in the Borough of Roselle.

**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 of the non-fiduciary activities of the District, as the primary government. For the most part the effect of the inter fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The 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 and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as capital grants and contributions.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**G. District Wide Financial Statements** *(continued)*

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

**H. Measurement focus, basis of accounting and financial statement presentation**

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

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement, focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Notes to the Basic Financial Statements

June 30, 2008

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

**C. Measurement focus basis of accounting and financial statement presentation  
- Continued**

end of the current fiscal period. Property taxes are recognized as revenue in the fiscal period for which they are levied, provided the “available” criteria are met. State equalization monies are recognized as revenue during the period in which they are appropriated. Expenditures are recognized and recorded in the accounting period in which the Fund liability is incurred, except for principal and interest on long term debts, which are recorded when due and expenditure related to compensated absences and claims, which are recorded when payment is due.

General Capital Assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports deferred revenues on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when the District receives resources 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 sheet and the 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 taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved property tax levy as revenue (accrued) at the start of the current fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount, is considered to be an “accounts receivable”. The district received all its local tax revenue from the Borough of Roselle as of June 30, 2008. The following is the Borough of Roselle property tax calendar:

Levy dates: June of the preceding fiscal year and October of the current fiscal year.  
Lien date: October 1<sup>st</sup>.  
Due dates: August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup>, and May 1<sup>st</sup>.

## BOROUGH OF ROSELLE SCHOOL DISTRICT

Notes to the Basic Financial Statements

June 30, 2008

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

#### **C. Measurement focus basis of accounting and financial statement presentation - 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) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

#### **D. Fund Accounting**

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principle of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

##### Governmental Fund Types

Governmental Funds are those funds through which most governmental functions typically are financed. The governmental fund measurement focus is on determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than on a net income determination. The acquisition and use of current available expendable resources during the year and balances of the District's available expendable financial resources at the end of the year are measured in Governmental Funds. These funds, with the exception of the capital projects funds, utilize a legally adopted annual budget. The district reports 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 expendable financial resources except those required to be accounted, for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the Capital Outlay Sub-Fund. As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this Fund. Generally Accepted Accounting Principles as they pertain to

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**D. Fund Accounting - Continued**

Governmental Fund Types – Continued

government entities states that general fund resources may be used to directly Finance Capital Outlay for long-term improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

*Special Revenue Fund:* The District accounts for the proceeds of specific revenue sources (other than major capital projects) from state and federal government, and local appropriations that is legally restricted to expenditures for specified purposes in the special revenue fund.

*Capital Project Fund:* The Capital Project 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).

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

Proprietary Fund Type

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the district's cafeterias. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture and federal job-training grants received from the U.S. Department of Labor.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Notes to the Basic Financial Statements

June 30, 2008

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

**D. Fund Accounting -Continued**

The District reports the following major proprietary fund:

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

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

Food Service Fund:  
Machinery Equipment 10-15 Years

Fiduciary Fund Types

The fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units and/or other funds. These include expendable trust and agency funds.

*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.

*Private Purpose Trust Funds.* Trust funds used to account for assets donated by individuals that will provide for the payment of awards and scholarships to individuals.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**E. Budgets/Budgetary Control Information**

Annual Appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county superintendent's office, reviewed and approved for public advertisement. After public advertisement, the budgets are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution.

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

The accounting records of the special revenue funds 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.

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

Cash and cash equivalents include petty cash, change funds, amounts on deposit, money market accounts and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

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

investments and are stated at cost. All other investments are stated at fair value, which is based on quoted market prices.

**G. Inter fund 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.

**H. Inventories**

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditure during the year of purchase. All inventories are valued at lower of cost or net realizable value.

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

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

**I. Capital Assets**

Capital assets, which include, property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are deferred by the district as assets with an initial individual cost of \$2,000 and over. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

During the year ended June 30, 2008, the District conducted an inventory of its capital assets. Capital assets acquired or constructed subsequent to June 30, 2008 are recorded at original cost. Capital fixed assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures to determine estimated historical cost

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**I. Capital Assets - Continued**

performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date of donation.

Expenditures that enhance the asset or significantly extended the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Property Plant and equipment of the district is depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
School Buildings	50
Building Improvement	20
Electrical/Plumbing	30
Vehicles	8
Office & Computer Equipment	10
Instructional Equipment	10
Ground Equipment	15

**J. 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 statues require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2008, there were no funds earned by these employees that were not disbursed by the District.

**K. Compensated Absences**

The liability for vested compensated absences of the government fund types is recorded only if they have matured, for example, as a result of employee resignations and retirements. All compensated absences are accrued in the District-wide Financial Statements. The current portion of the compensated absences balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**K. Compensated Absences - Continued**

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

**L. Deferred Revenue**

Deferred revenue in the special revenue and capital project funds represents cash that has been received by not yet earned.

**M. Long-term Obligations – Bonds authorized but not Issued**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligation is reported in the district-wide financial statements. In the district-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

**N. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for specific purpose. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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

**P. Investments**

The Board classifies certificates of deposit, 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. All other investments are stated at fair value.

**Q. Tuition Payable**

Tuition charges for the fiscal years 2007-08 and 2006-07 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**R. Allocation of Indirect Expenses**

The District's accounting system automatically allocated all indirect expenses and certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**S. 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.

**T. 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 a general fund balance at the fiscal year end of June 30<sup>th</sup> if they do not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There was excess fund balance at June 30, 2008.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Notes to the Basic Financial Statements

June 30, 2008

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

**U. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement medical benefits for 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 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

Cash and cash equivalents includes petty cash, change funds, amounts on deposit, and short term investments with original maturities of three months or less.

The Board classified certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase as investments.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories discussed below:

**Deposits**

The District's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. At June 30, 2008, the book value of the District's deposits was \$6,816,671 and bank balance of the District's cash and deposits amounted to \$9,997,836 of the bank balance, \$100,000 was covered by FDIC, and \$9,897,836 was covered by the New Jersey Governmental Unit Deposit Protection Act. The District's deposits which are displayed on the combined balance sheet as "cash" are categorized as:

*Category 1* – Insured or collateralized with securities held by the District or its agent in the District's name.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS** *(continued)*

*Category 2* – Collateralized with securities held by the pledging financial institutions trust department or agent in the District’s name.

*Category 3* – Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District’s name.

	Category			Bank Balance
	1	2	3	
Deposits	\$ 9,897,836	\$ -	\$ -	\$ 9,897,836

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the school district or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with NJSA 18A:20-37.
- h. Deposits with the State of New Jersey Cash Management Fund.

The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS** *(continued)*

*Category 1* – Insured or registered, or securities held by the Board or its agent in the Board’s name.

*Category 2* – Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the Board’s name.

*Category 3* – Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent, but not in the Board’s name.

	<b>Category</b>			<b>Reported Amount Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
<u>2008</u>				
U.S. Government Securities	\$ -	\$ -	\$ -	\$ -

During the year ended June 30, 2008, the District did not hold any investments in U.S. Government Securities.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 3 CAPITAL ASSETS**

The following schedule is a summarization of the changes in capital assets for the fiscal year ended June 30, 2008.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustment/ Transfer</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital assets not depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital assets not depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, depreciated:				
Site Improvements	56,300	36,950	-	93,250
Building & Building Improvements	10,445,913	-	-	10,445,913
Machinery & Equipment	4,201,252	388,098	-	4,589,350
Total Capital Assets, Depreciated	<u>14,703,465</u>	<u>425,048</u>	<u>-</u>	<u>15,128,513</u>
<b>Less: Accumulated Depreciation for:</b>				
Site Improvements	(6,894)	-	-	(6,894)
Building & Building Improvements	(4,606,137)	(247,124)	-	(4,853,261)
Machinery & Equipment	(3,950,094)	(88,706)	(9,249)	(4,048,049)
Total accumulated depreciation	<u>(8,563,125)</u>	<u>(335,830)</u>	<u>(9,249)</u>	<u>(8,908,204)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,140,340</u>	<u>\$ 89,218</u>	<u>\$ (9,249)</u>	<u>\$ 6,220,309</u>
<b>Business-type Activities:</b>				
Capital assets, depreciated:				
Equipment	235,467	8,378	-	243,845
Less: Accumulated Depreciation	(176,641)	(7,190)	-	(183,831)
Business-type activities capital assets, net	<u>\$ 58,826</u>	<u>\$ 1,188</u>	<u>\$ -</u>	<u>\$ 60,014</u>

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 3 CAPITAL ASSETS** *(continued)*

Depreciation expense of \$335,830 was charged to functions of the district as follows:

Function and Activity

Instruction:

Regular Instruction	\$	38,025
Special Education Instruction		-
Other Special Instruction		-
Support Services:		-
Plant Operation and Maintenance		265,400
Tuition/Pupil Transportation		-
School & General Administrative Services		32,405
Students & Instruction related		-
Total depreciation	<u>\$</u>	<u>335,830</u>

Construction Commitments

The District has no material commitments outstanding. However, the District has submitted its Long Range Facility Plan to the State of New Jersey School Construction Authority for approval and funding.

**NOTE 4 LONG-TERM DEBT**

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

<u>Government activities</u>	<u>Balance June 30, 2007</u>	<u>Issued/ Increases</u>	<u>Retired / Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due within one year</u>
Capital leases payable	\$ 423,005	\$ 229,861	\$ 226,402	426,464	\$ 104,613
Compensated absences payable	1,168,801	-	92,251	1,076,550	-
Accrued liability for insurance claims	-	-	-	-	-
Total	<u>\$ 1,591,806</u>	<u>\$ 229,861</u>	<u>\$ 318,653</u>	<u>\$ 1,503,014</u>	<u>\$ 104,613</u>

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 4 LONG-TERM DEBT** *(continued)*

**Bonds Authorized but Not Issued**

Borough of Roselle School District operates as a Type II school district. Bonds are authorized in accordance with State law by resolution of the School District and are required to be approved by the voters of the municipality through referendum. Bonds to finance capital projects are issued by the Borough of Roselle and are retired in serial installments within the statutory period of usefulness. School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

At June 30, 2008, there were no bonds or notes outstanding or bonds and notes authorized but not issued.

Capital Leases Payable

The District entered into contract for lease of photocopiers. These capital leases are for terms of five years. The following is a schedule of the future minimum lease payments under the capital lease payments at June 30, 2008:

Fiscal Year Ended June 30,	Amount
2009	\$ 142,134
2010	135,724
2011	107,628
2012	87,711
2013	49,182
Total minimum lease payment	522,379
Less: Amount representing interest	(95,916)
Principal portion of lease payment	\$ 426,463

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 5 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-employer plan, with a special funding situation, 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-contributory employers. The Public Employees Retirement System is also considered a cost-sharing multiple-employer plan.

The Teachers' Pension and Annuity Fund (TPAF) was established as of January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years of health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school board 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. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55<sup>th</sup> 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 for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Any one 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 Treasury, Division of Pension and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may

## **BOROUGH OF ROSELLE SCHOOL DISTRICT**

Notes to the Basic Financial Statements

June 30, 2008

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### **NOTE 5 PENSION PLANS** *(continued)*

be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

#### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan members 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 Board's contributions to PERS for the years ended June 30, 2008 and 2007 were \$322,561 and \$348,200 respectively, equal to the required contributions for each year.

During the year ended June 30, 2008, the State of New Jersey contributed \$2,423,231 to the TPAF for pension 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 \$1,303,485 during the year ended June 30, 2008 for the employer's share of social security contribution for TPAF members as calculated on their base salaries. These amounts have been included in the basic financial statements, and the combining and individual fund and accounting group statements and schedules as revenues and expenditures in accordance with GASB 34.

#### **Post-Retirement 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 or on disability retirement after accumulating 25 years of credited service. 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 P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre funding basis to pay-as-you-go basis beginning in Fiscal Year 1994 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve by one half of one percent 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.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 5 PENSION PLANS** *(continued)*

The State is also responsible for the cost attributable to P.L. 1992 c. 126, 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. The State paid \$ 110.3 million toward Chapter 126 benefits for 11,747 eligible retired members eligible in Fiscal Year 2007.

**NOTE 6 CONTINGENT LIABILITIES**

The District participates in numerous Federal and State 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 receivables at June 30, 2008 may be impaired. In the opinion of the District, there is 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 financial statements for such contingencies.

The District is 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.

**NOTE 7 STATE EXAMINATION OF STATE AID**

The District received financial assistance from the State of New Jersey and the United States Government in the form of grants and entitlements. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors.

**NOTE 8 RISK MANAGEMENT**

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

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 9 INVENTORIES AND PREPAID ITEMS**

Inventories of governmental funds are recorded as expenditures at the time the individual inventory items are purchased. Food Service Fund inventories are valued at cost using first in first out (FIFO) method. Inventory in the Food Service Fund at June 30, 2008 consisted of the following:

Food Commodities	<u>\$ 8,636</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Act of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements. Certain payments to vendors reflect costs applicable to failure periods and are recorded as prepaid items in both government and fund financial statements.

**NOTE 10 COMPENSATED ABSENCES**

District employees earn sick leave per the terms of the various labor agreements negotiated by the Board. Unused sick leave may be carried forward without limitation and upon retirement from District those employees who have completed 15 years of service in the District, will receive payment for accumulated unused sick leave at rates and percentages in accordance with the various agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the District-Wide Statement of Net Assets. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences in the district-wide statement of net assets of \$1,076,550.

**NOTE 11 FUND BALANCE APPROPRIATED-BUDGETARY BASIS**

Of the \$3,776,414 in General Fund fund balance at June 30, 2008, \$136,982 has been reserved for encumbrances; \$1,824,288 is reserved for subsequent year expenditures. \$1,377,382 of the total reserve for excess surplus and the remaining \$437,764 is unreserved.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 12 DEFICIT FUND BALANCE – SPECIAL REVENUE FUND (GAAP Basis)**

The District has a deficit fund balance of \$134,146 in the Special Revenue Fund as of June 30, 2008 as reported in the fund statements (modified accrual basis). For budget purposes only 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, in the current 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, liability) should be in symmetry, i.e. if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General Fund and Special Revenue Fund fund balance deficits do not alone indicate that the District is facing financial difficulties.

Pursuant to P.L. 2003, c.97, any negative unreserved, undesignated general fund balance that is reported as a direct result from the delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficits in the GAAP funds statement does not exceed the last state aid payment.

**NOTE 13 INTER-FUND RECEIVABLE AND PAYABLES**

Exchange transactions between funds are reported as revenues in the seller fund and expense in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment is reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expense to the funds that initially paid for them are not presented on the financial statement.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
June 30, 2008

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**NOTE 13 INTER-FUND RECEIVABLE AND PAYABLES** *(continued)*

The following inter-fund balance remained on the balance sheet on June 30, 2007:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$249,513	\$ -
Enterprise Fund-Food Services	-	5,412
Special Revenue Fund	-	244,101
Total	<u>\$249,513</u>	<u>\$ 249,513</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

## **SPECIAL REVENUE FUND**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) from state and federal governments.

## **PROPRIETARY TYPE FUND**

**Proprietary Fund** are used account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the District's board is that the costs of providing goods or services be financed through user charges.

*Food Services Fund* - This fund provides for the operation of food services in all schools within the District.

## **FIDUCIARY FUND**

**Fiduciary Funds** account for resources legally held in trust for the State Unemployment Insurance Fund and the activity of the Student Activity Agency Fund and Payroll Agency Fund. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

## **CAPITAL PROJECTS FUND**

**Capital Projects Fund** is used to account for financial resources used to acquire or construct major capital facilities (other than those of proprietary funds and fiduciary funds).

## **STATISTICAL SECTION**

Note: GASB requires that ten years of statistical data be presented. Since New Jersey entered GAAP accounting in fiscal year 1994, this presentation will include those years under GAAP accounting. In addition, GASB 34 was implemented in fiscal year 2003; therefore data for GASB 34 presentations are available for only one year. Each year thereafter, an additional year's data will be included until ten years of data is presented.

# **SINGLE AUDIT SECTION**

## **LONG-TERM DEBT**

Long-term debt schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. It includes obligations under Capital Leases.

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

Honorable President and  
Members of the Board of Education  
Borough of Roselle School District  
County of Union  
Roselle, New Jersey

We have audited the financial statements of the Board of Education of the Borough of Roselle School District, in the County of Union, State of New Jersey, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Borough of Roselle School District'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 Borough of Roselle School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Roselle School District's 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.

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.

**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* - CONTINUED**

**Internal Control Over Financial Reporting- cont'd.**

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Roselle School District'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 Borough of Roselle School District in the separate report entitled, *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 24, 2008.)

This report is intended solely for the information and use of the audit committee, management, the Borough of Roselle School District, 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.

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

October 24, 2008

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

Honorable President and  
Members of the Board of Education  
Borough of Roselle School District  
County of Union  
Roselle, New Jersey

**Compliance**

We have audited the compliance of the Board of Education of the Borough of Roselle School District, in the County of Union, 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. Borough of Roselle School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. 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 Borough of Roselle School District's management. Our responsibility is to express an opinion on the Borough of Roselle School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Borough of Roselle School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough of Roselle School District's compliance with those requirements.

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

In our opinion, the Borough of Roselle School District, in the County of Union, 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 New Jersey OMB's circular 04-04, and which are described in the accompanying schedule of findings and questioned costs.

**Internal Control Over Compliance**

The management of the Board of Education of the Borough of Roselle School District 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 Borough of Roselle School District's 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 Borough of Roselle School District's 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

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

deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Borough of Roselle School District's responses to the finding identified in our audit are describe in the accompanying schedule of findings and questioned costs. We did not audit the Borough of Roselle School District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, the Borough of Roselle School District, 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.

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

October 24, 2008

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Schedules of Expenditures of  
Federal Awards and State Financial Assistance

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**NOTE 1 GENERAL**

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Education, Borough of Roselle School District. The Board of Education is defined in Note 1 (A) 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 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 using the modified accrual basis of accounting with the exception of programs recorded in the food service enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Notes 1(C) and 1(D) 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 in the current 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 year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures 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.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Notes to the Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
June 30, 2008

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$34,271 for the general fund and \$123,884 for the special revenue fund. See Note 14 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ 62,089	\$ 20,366,759	\$ 20,428,848
Special Fund	1,996,920	2,935,477	\$ 4,932,397
Food Service	781,288	36,323	\$ 817,611
Total Awards and Financial Assistance	\$ 2,840,297	\$ 23,338,559	\$ 26,178,856

**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.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2008

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

<b>Financial Statement</b>	<b><u>Yes</u></b>	<b><u>No</u></b>
Type of auditor's report issued:		<u>Unqualified</u>
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

<b>Federal Awards</b>	<b><u>Yes</u></b>	<b><u>No</u></b>
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 Program or Cluster</u>
Federal: 10.555	National School Lunch Program (Child Nutrition Cluster)
10.553	School Breakfast Program
84.010	Title 1

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk Auditee? X

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2008

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

<b>State Awards</b>	<b><u>Yes</u></b>	<b><u>No</u></b>
Dollar threshold used to determine Type A and Type B programs:	\$630,415	
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 section .510(a) of Circular A-133?		X

Identification of major programs

<u>State Project Number</u>	<u>Name of State Program</u>
08-495-034-5120-022	Core Curriculum Standards Aid
08-495-034-5120-014	Transportation Aid
08-495-034-5120-011	Special Education Aid
08-495-034-5120-008	Stabilization Aid
08-495-034-5120-025	Early Childhood Program Aid
08-495-034-5120-058	Additional Formula Aid

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2008

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

[This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.]

No financial statements findings in the current year.

**BOROUGH OF ROSELLE SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2008

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

[This section identifies audit findings required to be reported by Section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.]

None

**EXHIBIT K-7**

**BOROUGH OF ROSELLE SCHOOL DISTRICT**

Summary Schedule of Prior Audit Findings  
and Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2008

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

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.