

BOARD OF EDUCATION
(Official)

July 14, 2011
Elizabeth, New Jersey

A special meeting of the Board of Education was called on July 14, 2011 at 7:00 p.m., in the Multi Purpose Room, Donald Stewart Center for Early Childhood Education, 544 Pennsylvania Avenue, Elizabeth, New Jersey.

Board President Marie Munn presented the following statement at 7:46 p.m.

“Ladies and Gentlemen, good evening. This is a special meeting of the Board of Education. Pursuant to New Jersey Statutes and the rules adopted by the Board of Education, notice of this meeting was sent to The Star Ledger and Cablevision of Elizabeth on Tuesday, July 12, 2011. In addition, this notice is posted on the Bulletin Board in the lobby of 500 North Broad Street, and pursuant to this act, a copy has been filed with the City Clerk of Elizabeth.”

“I wish to extend a warm welcome to everyone present to this July 14, 2011 meeting of the Board of Education. We are here to govern, provide management oversight, and make policy for the district. The Superintendent manages the district. This is a meeting of the Board in public, not a meeting of the public.”

“This meeting is being recorded and will become part of the Elizabeth Board of Education permanent record. In order that the recording will adequately reflect the proceedings, please refrain from talking while others are speaking. I also ask that you silence the sound on your electronic devices. Since it is legally mandated that these proceedings be accurately recorded, I may have to ask for order periodically should noise begin to interfere with our recording capabilities. I am pleased that you have taken time this evening to join us. Thank you for your interest in the Elizabeth Public Schools.”

“There will be a public portion for citizens to address the Board. Participants for the public portion must sign in one hour prior to the advertised start of the meeting so that they may have the opportunity to speak. The sign-in sheet states the name, address, telephone number and reason that the person wants to comment, whether it is an agenda item or a general education comment.”

Present: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Trujillo, Mrs. Munn – 7

Absent: Messrs. DaSilva, Nazco – 2

Superintendent of Schools Pablo Muñoz, School Business Administrator/Board Secretary Harold E. Kennedy, Jr., Board Attorney Kirk Nelson, Assistant Superintendent for Family and Community Outreach Jerome Dunn, Assistant Superintendent for Teaching and Learning Olga Hugelmeyer, Assistant Board Secretary Donald Goncalves, Comptroller William Greene, and members of the public were in attendance.

Pastor Burgos gave the invocation.

Pledge of Allegiance

National Anthem

Pledge of Ethics

Core Beliefs and Commitments

Mrs. Castillo-Ospina recognized a diplomat visiting from Columbia, Congressman Libardo Taborda, and his wife Judge Claudia Mathenas and presented them with a plaque of commemoration. Mrs. Castillo-Ospina and Board members thanked them for attending the Board meeting and for their support.

The President requests a motion to go into Private Session to consider matters exempt under the Open Public Meetings Act, specifically for discussion of a salary waiver and settlement agreement for special education. The Board will reconvene in public to take formal action.

A motion was made by Mr. Trujillo, seconded by Mr. Perreira, to go into private session at 8:00 p.m.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Trujillo, Mrs. Munn – 7

Negative: None

The Board reconvened in public at 8:16 p.m. to continue with the meeting and take formal action.

Personnel Report – Leave of Absence, etc.

A motion was made by Mr. Perreira, seconded by Mrs. Castillo-Ospina, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Trujillo, Mrs. Munn – 7

Negative: None

Tuition Report

A motion was made by Mr. Trujillo, seconded by Mr. Donoso, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos (abstain- J.B.), Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Mrs. Munn – 6

Abstain: Mr. Trujillo – 1

Negative: None

Authorization Report – Authorization to Make Application, etc.

A motion was made by Mr. González, seconded by Mr. Perreira, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Mrs. Munn – 6

Abstain: Mr. Trujillo – 1

Negative: None

Award of Contract Report – Award of Contracts, etc.

A motion was made by Mr. González, seconded by Mr. Perreira, that the report be accepted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Mrs. Munn – 6

Abstain: Mr. Trujillo – 1

Negative: None

Resolution – Repeal of Harassment, Intimidation, Bullying Regulation File Code No. 5131

A motion was made by Mr. Perreira, seconded by Mr. Trujillo, that the resolution be adopted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Trujillo, Mrs. Munn – 7

Negative: None

Resolution – Confidential Settlement Agreement between EBOE and J.P. and M.P. o/b/o/ J.P.

A motion was made by Mr. Perreira, seconded by Mrs. Castillo-Ospina, that the resolution be adopted.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Perreira, Mrs. Munn – 6

Abstain: Mr. Trujillo – 1

Negative: None

Resolution – Submission of Salary Waiver Pursuant to State Regulation

A motion was made by Mr. González, seconded by Mr. Perreira, that the resolution be adopted.

The motion was carried by the following vote:

Affirmative: Mrs. Castillo-Ospina, Messrs. Donoso, González, Trujillo, Mrs. Munn – 5

Abstain: Pastor Burgos, Mr. Perreira – 2

Negative: None

Mrs. Munn presented the following public participation statement.

“At this time, the microphones are open for public comment to those who have signed in prior to this session. I shall call individuals to the microphones based on the order of the sign-in. Each statement made by a participant shall be limited to three minutes in duration. The total time of public comment shall be limited to sixty minutes. No individual is able to yield their time to another individual. All statements shall be directed to the presiding officer; no participant may address or question Board members individually. The following rules for public participants shall apply: time limits will be strictly enforced, no personal attacks on individuals, no vulgar or indecent language, a person may address the Board no more than once during a single meeting, speakers should refrain from naming individuals, and comments or questions posed during public participation will not be debated. As a reminder, this is a meeting of the Board in public, not a meeting of the public.”

Mrs. Munn called upon the first public participant to address the Board.

Mrs. Jorge Villacis, 756 Grier Avenue, stated that her daughter was attending the Summer Program at School No. 5, that she had a problem, that it was an accident and she was suspended from returning to the program. Mrs. Villacis stated that it was a harsh resolution and asked the Board members and administration to reconsider the decision.

Mrs. Munn thanked her for her comments.

Mr. Trujillo commented that it is not the job of the Board to interfere with administration decisions although we are advocates for all children. Mr. Trujillo stated that there is a system in place that allows for that, that the parents spoke with the principal and then Assistant Superintendent Dunn and it is unfortunate that they did not find relief. Mr. Trujillo asked Mr. Muñoz to review this particular case to make sure the child was treated fairly, that all children should be treated fairly and that the Board will support the decision of the Superintendent. Mr. Trujillo stated that the Board trusts the Superintendent and his staff to run the district.

Mrs. Munn stated that it is an administrative decision and the Board cannot make a decision on this matter.

Since there were no other citizens signed in to address the Board, Mrs. Munn declared this portion of the public meeting closed.

Superintendent Pablo Muñoz stated that the Board has had training with the Center for Reform of School Systems in the Reform Governance in Action[®] program and the Board has established through its bylaws, regulations and policies a workshop policy as well as a schedule for the workshops. Mr. Muñoz stated that tonight we will continue with our management oversight of the Board to look at different operations in the district to get a sense of how it operates and to ask questions so the Board can do what it is designed to do to provide oversight and to establish policies. Mr. Muñoz stated that tonight is the one workshop that happens annually, which is finance, that this is the third workshop on finance and that the administration has tried to give different aspects of finance. Mr. Muñoz stated that the first finance workshop was an overview of the financial affairs of the district, and that the second was a closer look at the Treasurer-Secretary's Report, and that tonight will be a different perspective to give more information and deeper understanding of the financial operations of the district. Mr. Muñoz introduced Harold E. Kennedy, Jr., School Business Administrator/Board Secretary who presented the team members responsible for the management oversight workshop on finance.

Mr. Kennedy, School Business Administrator/Board Secretary, stated that he appreciated the opportunity to come before the Board with members of the Business Office staff to present the third Management Oversight Finance Workshop. Mr. Kennedy stated that the first workshop showed a high level overview of the business operations including the running of the departments and the second workshop focused on the creation of the Board Secretary's Report that is presented for approval to the Board each month. Mr. Kennedy stated that Mr. Robert D'Uva, from Mendonca & Suarez, the district's auditor, came to the May meeting and gave the results of the audit and discussed the findings, comments and recommendations of the 2009-2010 audit. Mr. Kennedy stated that the financial year ended on June 30th and the business department is in the process of preparing the 2010-2011 financial statements which will be audited over the summer and submitted to the NJDOE in November. Mr. Kennedy stated that this year's oversight workshop on finance will focus on the details of how the financial statements are prepared and the information that can be gleaned by taking the time to peruse it. Mr. Kennedy introduced Comptroller Dr. William Greene who presented the workshop on the district's financial statements.

Mr. Trujillo excused himself from the meeting at 8:50 p.m.

Dr. Greene stated that the purpose of the workshop is to provide the Board with information about the district's financial operations so that the Board has a better understanding of the district's finances for the purpose of exercising effective management oversight. Dr. Greene stated that the goal of the workshop is for the Board to leave with a better understanding of the policies, processes and procedures used to effectively manage and provide fiscal management and oversight for the district's financial resources.

Dr. Greene gave a review of the Proposed 2011-2012 People's Budget for the Elizabeth Public Schools which is \$402,505,871., that \$329,144,730. is from State sources, \$48,673,323. is from the local tax levy, \$20,580,952. is from federal sources and \$946,172. is from miscellaneous revenue. Dr. Greene stated that the Board of Education has no debt service. Dr. Greene stated that the Elizabeth Board of Education has the lowest per pupil cost in five years, that in 2007-2008 the per pupil cost was \$15,144., in 2008-2009 it was \$15,271., in 2009-2010 it was \$15,893., in 2010-2011 it was \$15,200., and in 2011-2012 the per pupil cost is \$14,655. Dr. Greene explained a comparison of the tax levy of the Board of Education as compared to the Mayor and Council of the City of Elizabeth. Dr. Greene stated that over the last 11 years the

Board has raised the tax levy only 29%, \$10.9 million dollars, while over the same period the City of Elizabeth Mayor and City Council have raised taxes 121% which equals \$60.4 million dollars in additional taxes and that the Board of Education had no tax increase for the 2011-2012 school year. Dr. Greene stated that the Elizabeth Public Schools was audited by the New Jersey State Legislature, Office of Legislative Services, Office of the State Auditor for the period from July 2007 through April 2010 and that the Elizabeth Public Schools successfully passed the State of New Jersey Audit. Dr. Greene stated that as a result of the Supreme Court Decision the Elizabeth Public Schools will receive \$81 million dollars in additional funding.

Dr. Greene explained the organizational chart for the Office of the Comptroller including the Payroll Department which has a supervisor and nine secretaries, the Purchasing Department which has a supervisor and two purchasing specialists, the Accounts Payable Department which has a supervisor and eight secretaries, that there are five accountants and two data analysts and introduced the members of the staff present.

Dr. Greene stated that the focus tonight is on the Comprehensive Annual Financial Report (CAFR) and the CAFR for the year ended June 30, 2010 will be used for the presentation. Dr. Greene stated that New Jersey state law and administrative code, N.J.S.A. 18A:4-14 and N.J.A.C. 6A:23A-16, requires school districts to follow generally accepted accounting principles (GAAP) and these principles are augmented with the release of statements from the Governmental Accounting Standards Board (GASB). Dr. Greene stated that New Jersey statute N.J.S.A.18A:4-14 requires that school districts maintain bookkeeping consistent with GAAP and that the financial reporting requirements of GAAP include the issuance of a CAFR. Dr. Greene stated that administrative code N.J.A.C. 6A:23A-16.2(i) requires the issuance of a CAFR by every school district along with financial statements to facilitate management control of financial operations and the financial statements are the responsibility of the Board of Education's management and are its representation of the financial position at a given point in time and the operations of the district during a period of time. Dr. Greene stated that the General Accounting Office (GAO) Government Auditing Standards provide that an auditor may not audit financial statements prepared by that same auditor.

Mr. Kennedy stated that this is a new requirement in the last six years and that prior to that most districts in New Jersey had their independent auditors come in at year end and compile the CAFR and also report on the financial statements themselves. Mr. Kennedy stated that there was a perceived conflict because the auditor prepared the financial statements and also was the auditor. Mr. Kennedy stated that Elizabeth has always been different in the fact that we prepare our own financial statements and CAFR, that we have developed our own software that links schedules and as a result our audit fees have been lower than comparatively larger districts such as Newark and Paterson. Mr. Kennedy stated that with the new requirement other districts were scrambling to be able to develop the methodology to prepare the financial reports themselves because the auditor could not do it for them. Mr. Kennedy stated that Elizabeth has been ahead of the curve as we have always prepared our own financial statements.

Dr. Greene stated that to provide the annual financial status of the district the financial books must be closed and explained the end of year accounting cycle closing process. Dr. Greene stated that cash deposits are ended on the last work day of the month, all payroll and vendor transactions as of June 30th are accounted, revenue received and incurred during the month is recorded, inter-fund transactions for the month are recorded and financial reports are generated for further analysis and subsequent presentation to the Board. Dr. Greene stated that the Treasurer's Report provides an analysis and reconciliation of the district's cash balances contained in the district's bank accounts and the Board Secretary's Report provides the district's financial status in comparison to revenue and budget as well as assets and liabilities.

Dr. Greene stated that the CAFR begins with an introductory section including a letter of transmittal, organization chart, roster of officials and roster of consultants and advisors. Dr. Greene stated that the letter of transmittal is a letter addressed to the Board of Education presenting the CAFR and contains student enrollment, economic information for Elizabeth, a

summary of district financial information, and an explanation of the major initiatives implemented by the district during the year.

Mr. Kennedy explained that the transmittal letter is an easy reading letter telling the reader the results of the 2009-2010 school year and the initiatives implemented during the year.

Dr. Greene stated that the independent auditors' report states that they have audited the accompanying financial statements of the governmental activities, that the financial statements are the responsibility of the City of Elizabeth School District's management and that their responsibility is to express an opinion on these financial statements based on their audit, and that they conducted the audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education of the State of New Jersey. Dr. Greene stated that the independent auditors' report states that they believe that their audit provides a reasonable basis for their opinion and that the opinion is the most important paragraph of the CAFR. Dr. Greene quoted the independent auditors' report from Mendonca & Suarez, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, of each major fund and the aggregate remaining fund information of the City of Elizabeth School District's, County of Union, New Jersey, as of June 30, 2010, and the respective changes in financial position, and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles in the United States of America."

Dr. Greene stated that the first part of the required supplementary information in the CAFR is the management discussion and analysis (MD&A) of the district's financial performance and provides an overview of the district's financial activities with key financial highlights including increase of net assets, total amount of revenue, expenses, and fund balance. Dr. Greene stated that the MD&A includes an explanation of using the basic financial statements, presents the district's financial information with a two year comparison, the district's economic factors and major initiatives for the next year's budget.

Dr. Greene stated that the accounting staff would be presenting the financial schedules including Mars Mellish, Christina Hunt, Gelcys Fernandez Del Cueto, Patricia Grant, and Guilherme Matheus. Dr. Greene introduced Mars Mellish to present the School Level D Schedules.

Mr. Mars Mellish stated that Fund 15 is a sub-fund of the general fund and it was created to allow budgeting of school level appropriations and accounting for school level expenditures. Mr. Mellish stated that the D Schedules detail the budgeted and actual expenditures of each school and that a separate schedule is prepared for each school as well as a district-wide summary. Mr. Mellish stated that the D-3 summary page shows the current expenditures for regular programs and special education including salaries of teachers, other salaries for instruction, purchased professional services, travel, general supplies, textbooks, and other objects. Mr. Mellish stated the summary shows the original budget, budget transfers, final budget, actual, and variance. Mr. Mellish stated that under NCLB districts are encouraged to blend eligible funds for eligible school-wide programs in Fund 15 and school-wide status is determined school by school based on poverty levels and having an approved school wide program plan. Mr. Mellish stated that following the completion of D3 schedules then the Blended Resource Fund Schedule of Expenditures Allocated by Resource Type - Actual (D-2) schedules can be prepared.

Mr. Kennedy explained that there is a budget and expenditure report for each school listed separately for the school level summary pages (D-3) and stated where they can be found in the CAFR. Mr. Kennedy explained that the school level summaries flow into the district-wide summary pages for D-3 and stated where the district-wide budget and expenditure report can be

found in the CAFR. Mr. Kennedy explained that after the school level summaries are completed then the D-2 can be prepared.

Mr. Mellish stated that the Blended Resource Fund Schedule of Expenditures Allocated by Resource Type - Actual (D-2) is prepared for each school and a district-wide summary and shows the resource amount, percent of total resources, total expenditures and the total surplus/carryover. Mr. Mellish stated that the resources listed include General Fund Contribution to Whole School Reform, Title I - V, and the American Recovery & Reinvestment Act (ARRA).

Mr. Kennedy explained that the D-2 and the D-3 schedules are school-based schedules. Mr. Kennedy explained that the D-2 schedule shows how each school is funded from the different restricted federal programs and the general fund contribution to whole school reform which is the state aid and the tax levy. Mr. Kennedy explained that the surplus/carryover is the total budget less the expenditures and that the school summaries flow into the district-wide summary. Mr. Kennedy explained the budget process including salaries, benefits related to the salaries, and non-salary which is allocated on a per pupil amount based on the number of students. Mr. Kennedy introduced Christina Hunt, Accounts Payable Supervisor, who worked on the special revenue fund in 2009-2010.

Mrs. Christina Hunt stated that the special revenue fund includes federal, state, and other grants awarded to the district in a given school year, that the federal grants include NCLB (Title I-IV), IDEA, ARRA, NCLB, IDEA, Perkins, 21st Century, and JROTC, that the state grants include Early Childhood, Chapter 192/193, and Adult Basic Skills and the other grants include CID, Conoco Phillips, HP, and others.

Superintendent Pablo Muñoz explained that NCLB is No Child Left Behind which is what the Bush administration called the program that was originally the Elementary and Secondary Education Act in the 1960's. Mr. Muñoz explained that IDEA is the Individuals with Disabilities Education Act, ARRA is the American Recovery and Reinvestment Act, Perkins is the Carl Perkins Vocational and Technical Education Act, the 21st Century is for our afterschool programs, JROTC is our military program, Early Childhood is in a grant form but is basically the funding source for our three and four year olds program and there are smaller grants.

Mrs. Hugelmeyer explained that Chapter 192/193 programs are provided to eligible students enrolled full-time in nonpublic elementary and secondary schools in New Jersey to provide auxiliary services such as ESL and home instruction.

Mr. Muñoz stated that the major revenue source is state aid, followed by the local tax levy, then NCLB and its related revenue types.

Mrs. Hunt stated that the Combining Schedule (Schedule E) shows the revenue sources and expenditures reported for the fiscal year for all grants awarded and that the expenditures are reported by line items within categories including instruction, support services, facilities acquisition and construction services and contributions to whole school reform.

Mr. Kennedy explained that Schedule E-1 shows the Contribution to Whole School Reform that ties to same number on the D-2 revenue schedule and that the expenditures in the school were funded and charged to the federal grants shown on E-1.

Mrs. Hunt stated that the No Child Left Behind Act (NCLB) is made up of Title I Part A Improving Basic Programs, Title I SIA Part A School Improvement, Title II Part A Teacher and Principal Training and Recruiting, Title II Part D Enhancing Education through Technology, Title III Part A English Language Acquisition and Language Enhancement, Title III Supplemental Immigrant and Title IV Safe and Drug Free Schools and Communities Act. Mrs. Hunt stated the grant periods and summer periods for NCLB, IDEA and that the carryover is unexpended funds

from the prior grant period and the carryover regulations. Mrs. Hunt stated that the grant period for the Early Childhood Program Aid is from July 1 through June 30, that the budgeted and actual revenues and expenditures are reported for the fiscal year and that unexpended funds are carried over year over year until fully expended.

Mr. Kennedy explained that there are three columns for the three different years of grants, that in 2009-2010 there was money left over in the carryover column from two years ago, and that the grant accountant has to end one year and set up a new year in our accounting system. Mr. Kennedy stated that the federal grants do not correspond with our fiscal year and explained that it is the same difficulty for curriculum as for finance and that Rosa Carbone, Supervisor of Grants, has to keep track of the curriculum and the programs over the three years for which the grants are accounted. Mr. Kennedy stated that it takes a lot of work to keep track of the special revenue funding over the three years. Mr. Kennedy explained that the detail for the total expenditures for Title I is on schedule E-1A and ties to the total expenditures on E-1 for Title I.

Mrs. Hunt stated that the details for each of the grants are listed on Schedules E-1A through E-1I. Mrs. Hunt stated that the Early Childhood Program Aid Budget and Actual is shown on E-3 and that the carryover for the following year is shown on the schedule. Mrs. Hunt stated that the K schedules are the single audit and that the Federal Single Audit Act of 1996 requires audits of federal awards of non-federal entities that expend \$500,000. or more in a year are required to have a single audit in accordance with provisions in Circular A-133 and also requires the use of generally accepted government auditing standards (GAGAS). Mrs. Hunt stated that the State Single Audit Act is less than the Federal threshold of \$500,000. and is required for expenditures of \$100,000. or more in state grants. Mrs. Hunt stated that the CAFR includes the auditor's report on internal controls and compliance that states the audit procedures and review of material weaknesses and deficiencies, findings, and questioned costs.

Mr. Kennedy explained that the K Schedules highlight a problem we have with our grants, that sometimes for the whole year we expend our own cash because the State does not approve that year's grant until after the fiscal year ended and sometimes we do not receive the cash until the following September. Mr. Kennedy explained that even though the grant is recorded on the books there is a large accounts receivable waiting for the cash funding.

Mr. Perreira asked if there is a refund of the interest if we borrow while waiting for the funding.

Mr. Donoso asked if we are allowed to borrow in lieu of the receivable.

Mr. Kennedy responded that we are not allowed to borrow while waiting for the grant funding. Mr. Kennedy explained that the only time the State allows us to borrow is when the State withholds the last State aid payment in June and then allows us to borrow for that purpose.

Mrs. Hunt stated that the State grants are detailed on Schedule K-4.

Mr. Gonzalez asked if the project numbers assigned are connected to the account numbers for the employees on the Board meeting reports.

Mr. Kennedy explained that they are not connected, that the Board reports are the district budget account numbers and the project numbers in Schedule K-4 are the project numbers assigned by the State to each award.

Mrs. Hunt stated the purpose of the Notes to Schedules of Expenditures of Federal and State Awards is to disclose required information pertaining to the information that is presented within the financial statements.

Mr. Kennedy explained that the notes include the relationship to financial statements that show how much federal and state aid the district received and the funds where they are accounted.

Mrs. Hunt stated that Schedule F is for capital project funds for the Schools Development Authority (SDA) grants for emergent projects awarded to the district, that Schedule F-1 summarizes each project by total expenditures and unexpended balance and Summary Schedule F-2 represents the combined revenue and expenditures from F-2 detail schedules and the total capital project balance.

Pastor Burgos asked which statement shows how we manage our legal fees.

Mr. Kennedy responded that the amount is shown in the support services general administration on Schedule C-1 which would be discussed further in the presentation.

Mrs. Hunt stated that Schedule G is the Enterprise Fund Schedule for Food Service and that the funds are used to account for operations that are financed and operated in a manner similar to private business operations, that financial reports are prepared including a statement of net assets, statement of revenues, expenses and change in fund net assets and a statement of cash flows. Mrs. Hunt stated that the operating expenses less the operating revenues equal the operating profit or loss and the non-operating revenues equal state and federal funds received from breakfast, lunch, and after school snacks, ARRA, and USDA commodities. Mrs. Hunt stated that the statement of cash flows reports the utilization of cash inflows and outflows for the fiscal year and are reported by activity level including operating activities, non-capital financing, capital and related financing activities and investing activities.

Mr. Kennedy explained that prior to 2005 most districts ran the food service division at a loss and the districts were allowed to contribute funds from their own budget to make up for the loss so there was a contribution to the Enterprise Fund. Mr. Kennedy stated that since that time the new food service regulations stated that it has to be a self-sustaining operation and could have no contribution from the district. Mr. Kennedy explained since that as a result of the new regulations a lot of districts outsource the food service. Mr. Kennedy stated that our food service division has been even or with surplus and that speaks well of the staff and the way the food service division is run.

Mr. Donoso asked about the cash flow from investing activities.

Mr. Kennedy explained that the income is from interest bearing accounts and that the State of New Jersey is very strict about where funds can be invested and what funds can be invested.

Mrs. Gelcys Fernandez del Cueto stated that GASB 34 requires that fiduciary funds be reported using a statement of fiduciary net assets and a statement of changes in fiduciary net assets, that the fiduciary funds are used to report assets that are held by the school district in a purely trustee or agency capacity and the funds are collected from employees and then remitted to organizations, business, or other government institutes.

Mr. Muñoz asked why some schools are not listed on the schedule.

Mrs. Fernandez del Cueto responded that there was no cash receipts collected for those schools.

Mr. González asked if the schools are collecting funds for bake sales.

Mrs. Fernandez del Cueto responded that the money the school collects has to be used for that purpose and if a school collects money for class trips then the funds have to be held for that.

Mrs. Fernandez del Cueto stated that the Statistical Section Schedule J provides the financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to the financial statements, and required supplementary information to understand and assess a government's economic condition. Mrs. Fernandez del Cueto stated that the statistical section is a required part of the CAFR and is

mandated by the Governmental Accounting Standards Board (GASB) Statement No. 44 Economic Condition Reporting. Mrs. Fernandez del Cueto stated that the GASB governs accounting practices for all state and local governmental entities including general purpose governments, that prior to Statement No. 44 governments presented a wide variety of demographic and economic indicators with very little consistency from government to government and that GASB 44 addresses the comparability issue that developed in practice. Mrs. Fernandez del Cueto stated that Statement 44 requires governments to present ten year trends in three types of information such as government employment levels, operating statistics, and capital asset information and mandates that the statistical section must include ten year trend information about net assets and changes in net assets. Mrs. Fernandez del Cueto stated that it also requires that the statistical schedules include notes regarding sources, methodologies and narrative explanations of the objectives, unfamiliar concepts, relationships between the statistical sections and other sources of the CAFR and trends that users would not understand and that based upon the requirements of GASB 44 the statistical section consists of five categories including financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. Mrs. Fernandez del Cueto introduced Patricia Grant to present the long-term debt schedule and capital assets.

Mr. Perreira excused himself from the meeting at 10:20 p.m.

Ms. Patricia Grant stated that the Long-Term Debt Schedule I is obligations greater than one year including the non-current portion of lease-purchase agreements, capital leases, and operating leases. Ms. Grant stated that the district long-term debt only consists of computer leases and photo copier leases and Schedule I shows the interest rate payable, amount of original issue, amount outstanding as of June 30, 2010, amount due in one year and amount due beyond one year.

Mr. Muñoz stated that the amount will be \$1.6 million lower after we finish this year and asked if there were any penalties if we paid the balance off.

Mr. Kennedy responded that there should not be a penalty to pay off the balance and that the previous strategy was to buy the items outright but then we did not get the Abbott funding we were entitled to and our funding was flat.

Mr. Donoso asked if we sell the old computers when they become obsolete.

Mr. Kennedy explained that the Purchasing Department puts out a bid for them.

Ms. Grant stated that Schedule A1 is for Capital Assets which include land and land improvements, buildings, furniture, fixtures and equipment, and infrastructure items. Ms. Grant explained the capital assets worksheet and stated that effective July 1, 2001 the capitalization threshold used by school districts and charter schools in the State of New Jersey increased to \$2,000. and that depreciation is a method of allocating the cost of a tangible capital asset over its useful life.

Mr. Kennedy explained that to prepare the financial statements on a GAAP basis the assets need to be capitalized and the budgetary expenditures during the year need to be converted into the capital asset schedule. Mr. Kennedy stated that prior to 2003 school districts did not have to capitalize their assets.

Dr. Greene explained Schedule C including the Budgetary Comparison Schedules (C Schedules Detail), Budgetary Comparison Schedules (C Schedules Summary), Budgetary Comparison Schedule Special Revenue, and the Budget to GAAP Reconciliation (Schedule C-3). Dr. Greene stated that the district-wide financial statements include the governmental fund financial statement, enterprise fund financial statements, fiduciary fund financial statements, balance sheet, and statement of revenues, expenditures and changes in fund balances. Dr. Greene explained the Balance Sheet for Governmental Funds, the Statement of Revenues, Expenditures

and Changes in Fund Balances for Government Funds, and the Statement of Net Assets. Dr. Greene introduced Guilherme Matheus to present the Auditor's Management Report.

Mr. Guilherme Matheus stated that the Auditor's Management Report on Administrative Findings, Financial, Compliance and Performance (AMR) is a separate report that will serve as the auditor's report to management and this report must be submitted together with the CAFR to the Department of Education in order to comply with the Finance Policy Bulletin 200-1. Mr. Matheus stated the purpose as part of the audit is that the Independent Auditors perform procedures required by the New Jersey Department of Education and the findings of these procedures are disclosed in the report. Mr. Matheus stated that the scope of the audit covered the financial transactions of the School Business Administrator/Board Secretary and the Treasurer of School Moneys, the activities of the Board of Education and the records of the various funds under the auspices of the Board of Education. Mr. Matheus stated that the report includes comments, findings, recommendations and corrective action plan. Mr. Matheus explained the Independent Auditor's Report on Excess Surplus Calculation for the fiscal year.

Dr. Greene asked if there were any questions.

Mr. González thanked the business office staff for the presentation and commented that we have a very complex financial system and we have always come out in good standing in the many audits of our district. Mr. González stated that he has a better understanding of the financial system.

Mr. Donoso commented that he was very impressed with the presentation and that the staff did a great job. Mr. Donoso stated that most districts do not do management oversight and that the management oversight meetings that we have here makes our Board more professional.

Mrs. Munn thanked Mr. Kennedy, Dr. Greene, and the staff for their hard work and congratulated them for a very good presentation. Mrs. Munn commented that she has a better understanding of how to read the CAFR.

On a motion by Mr. Donoso , seconded by Mr. González, the meeting was adjourned at 11:05 p.m.

The motion was carried by the following vote:

Affirmative: Pastor Burgos, Mrs. Castillo-Ospina, Messrs. Donoso, González, Mrs. Munn – 5

Negative: None

Harold E. Kennedy, Jr.
School Business Administrator/Board Secretary