

**CITY OF MARGATE
BOARD OF EDUCATION**

**AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
-FINANCIAL, COMPLIANCE AND PERFORMANCE**

June 30, 2007

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Tax ID Number 21-6000236

Report of Independent Auditors

Honorable President and
Members of the Board of Education
City of Margate School District
County of Atlantic, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the City of Margate School District in the County of Atlantic for the year ended June 30, 2007, and have issued our report thereon dated October 15, 2007.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of the management of the City of Margate Board of Education, the New Jersey Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

October 15, 2007

ADMINISTRATIVE FINDINGS - FINANCIAL COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Official Bonds

| Name | Position | Amount |
|-------------------|---|--------------|
| Susan Palaia | Board Secretary/ School Business Administrator | \$100,000.00 |
| Thomas D. Hiltner | Treasurer | 200,000.00 |

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billing of its receiving district for the decrease in per pupil costs in accordance with NJAC 6:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 6:23-2.2(f) as part of our test of transactions of randomly selected expenditures items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-2.4. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

None

B. Administrative Classification Findings

None

Board Secretary's Records

The Board Secretary's records were maintained in satisfactory condition.

Treasurer's Records

The Treasurer's records were maintained in satisfactory condition.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for Special Federal and/or State Projects indicated no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending C.40A:11-9) the board of education may establish that the bid threshold may be up to \$29,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to the section.
- b. Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection,

in direct proportion to the rise or fall of the index rat as that term is defined in NJS 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of NJSA 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other.

The board of education may, by resolution approved by a majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had prior negative experience with the bidder."

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$21,000 and \$15,000 respectively.

The business administrator of the school district is a qualified purchasing agent and the board of education has adopted a resolution to establish a bid threshold of \$29,000.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. My examination did reveal, however, that the following purchases were made through the use of State contracts:

Dell Computers

School Food Service

The financial transactions and statistical records of the school food services fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. The commodities received are sent directly to the Mainland Regional High School District, who prepares all meals for the Margate City Board of Education. No discrepancies were noted with the Food Distribution Program commodities.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Student Body Activities

The records of the student activity funds were maintained in accordance with board policies. The records were maintained in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2006 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2006-2007 District Report of Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the SCC grant agreement for consistency with recording SCC revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. No recommendations were reported in the prior year.

Acknowledgment

We received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF MEAL COUNT ACTIVITY

**CITY OF MARGATE SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| <u>PROGRAM</u> | <u>MEAL CATEGORY</u> | <u>MEALS CLAIMED</u> | <u>MEALS TESTED</u> | <u>MEALS VERIFIED</u> | <u>DIFFERENCE</u> | <u>RATE</u> | <u>(OVER) UNDER CLAIM</u> |
|------------------------------|--------------------------|--------------------------|-------------------------|---------------------------|-------------------|-------------|-----------------------------------|
| National School Lunch | Paid | 9,570 | 9,570 | 9,570 | 0 | 0.27 | \$0 |
| | Reduced | 0 | 0 | 0 | 0 | 2.10 | 0 |
| | Free | 5,522 | 5,522 | 5,522 | 0 | 2.50 | 0 |
| | TOTAL | <u>15,092</u> | <u>15,092</u> | <u>15,092</u> | <u>0</u> | | <u>0</u> |
| TOTAL NET (OVER)/UNDER CLAIM | | | | | | | <u>\$0</u> |

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF MARGATE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2006**

| | 2007-08 Application for State School Aid (10/13/06 data) | | | | | | | | | | Sample for Verification | | | Errors per Registers on Roll | | | On-Roll Related Services | | |
|------------------------|--|--------|--------------------|--------|--------|--------|---------------------------------|--------|-------------------|--------|-------------------------|--------|-------------------------|------------------------------|-------------------------|--------|--------------------------|---------------|-------|
| | Reported on A.S.S.A. on Roll | | Workpapers on Roll | | Errors | | Sample Selected from Workpapers | | Registers on Roll | | Registers on Roll | | Sample for Verification | | Sample for Verification | | Sample for Verification | | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Sample Verified | Sample Errors | |
| Pre-K Half Day | 53 | | 53 | | | | 14 | | 14 | | | | | | | | | | |
| Full Day Kindergarten | 51 | | 51 | | | | 17 | | 17 | | | | | | | | | | |
| One | 51 | | 51 | | | | 17 | | 17 | | | | | | | | | | |
| Two | 57 | | 57 | | | | 19 | | 19 | | | | | | | | | | |
| Three | 58 | | 58 | | | | 19 | | 19 | | | | | | | | | | |
| Four | 49 | | 49 | | | | 16 | | 16 | | | | | | | | | | |
| Five | 50 | | 50 | | | | 17 | | 17 | | | | | | | | | | |
| Six | 48 | | 48 | | | | 16 | | 16 | | | | | | | | | | |
| Seven | 55 | | 55 | | | | 18 | | 18 | | | | | | | | | | |
| Eight | 57 | | 57 | | | | 19 | | 19 | | | | | | | | | | |
| Subtotal | 529 | 0 | 529 | 0 | 0 | 0 | 172 | 0 | 172 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Tier II Elementary | 16 | | 16 | | | | 6 | | 6 | | | | | | | 4 | | 4 | |
| Tier II Middle School | 14 | | 14 | | | | 6 | | 6 | | | | | | | 3 | | 3 | |
| Tier III Elementary | 13 | | 13 | | | | 5 | | 5 | | | | | | | 6 | | 6 | |
| Tier III Middle School | 9 | | 9 | | | | 4 | | 4 | | | | | | | 7 | | 7 | |
| Tier IV Elementary | 9 | | 9 | | | | 3 | | 3 | | | | | | | 4 | | 4 | |
| Tier IV Middle School | 3 | | 3 | | | | 1 | | 1 | | | | | | | 4 | | 4 | |
| Subtotal | 64 | 0 | 64 | 0 | 0 | 0 | 25 | 0 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | | 30 | |
| Totals | 593 | 0 | 593 | 0 | 0 | 0 | 197 | 0 | 197 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | | 30 | |
| Percentage | | | | | -0.00% | | | | | | | | | | | | | | 0.00% |

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF MARGATE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2006**

| | Private Schools for Disabled | | | Private Schools - Related Services | | | Low Income | | | Sample for Verification | | |
|------------------------|--|-------------------------------|--------------------|------------------------------------|--------------------|------------------|---|--|--|---|------------------|--|
| | Reported on ASSA as Private Schools | Sample for Verification | Sample Verified | Sample for Verification | Sample Verified | Sample Errors | Reported on ASSA as Low Income | Reported on Workpapers as Low Income | Sample Selected from Workpapers | Sample Verified to Application and Register | Sample Errors | |
| Pre-K Half Day | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 0 | |
| Full Day Kindergarten | | | | | | | 5 | 5 | 4 | 4 | | |
| One | | | | | | | 8 | 8 | 6 | 6 | | |
| Two | | | | | | | 5 | 5 | 4 | 4 | | |
| Three | | | | | | | 6 | 6 | 5 | 5 | | |
| Four | | | | | | | 4 | 4 | 3 | 3 | | |
| Five | | | | | | | 4 | 4 | 2 | 2 | | |
| Six | | | | | | | 4 | 4 | 3 | 3 | | |
| Seven | | | | | | | 3 | 3 | 2 | 2 | | |
| Eight | | | | | | | 40 | 40 | 30 | 30 | | |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 14 | 10 | 10 | 0 | |
| Tier II Elementary | | | | | | | 5 | 5 | 3 | 3 | | |
| Tier II Middle School | | | | | | | 4 | 4 | 3 | 3 | | |
| Tier II High School | 1 | 1 | 1 | | | | | | | | | |
| Tier III Elementary | | | | | | | 2 | 2 | 2 | 2 | | |
| Tier III Middle School | | | | | | | 3 | 3 | 2 | 2 | | |
| Tier III High School | 1 | 1 | 1 | | | | | | | | | |
| Tier IV Elementary | | | | | | | | | | | | |
| Tier IV Middle School | 1 | 1 | 1 | | | | | | | | | |
| Tier IV High School | | | | | | | 5 | 5 | 5 | 5 | | |
| Subtotal | 3 | 3 | 3 | 0 | 5 | 5 | 14 | 14 | 10 | 10 | 0 | |
| Totals | 3 | 3 | 3 | 0 | 5 | 5 | 54 | 54 | 40 | 40 | 0 | |
| Percentage Error | | | | | | | 0.00% | | 0.00% | | 0.00% | |

| | Transportation | | | | Bilingual Education | | | Sample for Verification | | | |
|-------------------------------------|--|--------------------------------------|--------|--------|---------------------|--------|--|--|---|------------------|-------|
| | Reported on DR TRS by DOE/county | Reported on DR TRS by District | Errors | Tested | Verified | Errors | Reported on ASSA as Bilingual Education | Sample Selected from Workpapers Education | Sample Verified to Test Score and Register | Sample Errors | |
| Reg.-Public Schools col. 1 | 134 | 134 | | 78 | 78 | | 2 | 2 | 2 | 0 | |
| Reg.-SpEduc, col. 4 | 12 | 12 | | 7 | 7 | | | | | | |
| Transported - Non-Public, col. 3 | 70 | 70 | | 46 | 41 | 5 | | | | | |
| Special Needs, col. 6 | 19 | 19 | | 9 | 7 | 2 | | | | | |
| Totals | 235 | 235 | 0 | 140 | 133 | 7 | | | | | |
| Percentage Error | | | | | | | | | | | 0.00% |

| | Reported | Re- Calculated |
|--|----------|-------------------|
| Avg. Mileage-Regular including Grade PK students | 6.3 | 6.3 |
| Avg. Mileage-Regular excluding Grade PK students | 6.3 | 6.3 |
| Avg. Mileage-Special Ed with Special Needs | 6.5 | 6.5 |

EXCESS SURPLUS CALCULATION

EXCESS SURPLUS CALCULATION

SECTION 1

B. 2% Calculation of Excess Surplus

| | | | |
|--|---------------------|-------|----------------------|
| 2006-07 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$12,527,347 | (B) | |
| Increased by: | | | |
| Transfer to Food Service Fund | 95,435 | (B1a) | |
| Transfer from Capital Outlay to Capital Projects Fund | 0 | (B1b) | |
| Transfer from Capital Reserve to Capital Projects Fund | 0 | (B1c) | |
| Decreased by: | | | |
| On-Behalf TPAF Pension & Social Security | (1,017,798) | (B2a) | |
| Assets Acquired Under Capital Leases | 0 | (B2b) | |
| Adjusted 06-07 General Fund Expenditures [(B)+(B1s)-(B2s)] | <u>\$11,604,984</u> | (B3) | |
| | | | |
| 2% of Adjusted 2006-07 General Fund Expenditures [(B3) times .02] | <u>232,100</u> | (B4) | |
| Enter greater of (B4) or \$250,000 | 250,000 | (B5) | |
| Increased by: Allowable Adjustment * | <u>12,890</u> | (K) | |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | | | <u>\$262,890</u> (M) |

SECTION 2

| | | | |
|--|-----------------|------|-------------------------|
| Total General Fund - Fund Balances @ 6-30-07 (Per CAFR Budgetary Comparison Schedule C-1) | 2,264,207 | C | |
| Decreased by: | | | |
| Reserved for Encumbrances | 0 | (C1) | |
| Legally Restricted - Designated for Subsequent Year's Expenditures | 0 | (C2) | |
| Excess Surplus - Designated for Subsequent Year's Expenditures ** | (926,429) | (C3) | |
| Other Reserved Fund Balances **** | 0 | (C4) | |
| Unreserved -- Designated for Subsequent Year's Expenditures | <u>(89,757)</u> | (C5) | |
| Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | | | <u>\$1,248,021</u> (U1) |

SECTION 3 - ALL DISTRICTS

Reserved Fund Balance - Excess Surplus *** [(U2)-(M)] IF NEGATIVE ENTER -0- \$985,131 (E)

Recapitulation of Excess Surplus as of June 30, 2007

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** 926,429 (C3)
 Reserved Excess Surplus ***[(E)] 985,131 (E)
 Total [(C3) + (E) + (F)] \$1,911,560 (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), and Extraordinary Aid, and additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

Detail of Allowable Adjustments

| | | |
|--|-----------------|------|
| Impact Aid | \$0 | (H) |
| Sale & Lease-back | 0 | (I) |
| Extraordinary Aid | 7,656 | (J1) |
| Additional Nonpublic School Transportation Aid | 5,234 | (J2) |
| Higher Expectations for Learning and Proficiency Aid | <u>0</u> | (J3) |
| Total Adjustments [(H)+(I)+J1)+(J2)] | <u>\$12,890</u> | (K) |

** This amount represents the June 30, 2006 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2007 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance:

Statutory restrictions:
 Approved Unspent Separate Proposal 0