

To the Members of the Finance Committee of the  
Board of Education and Management of the  
City of Margate School District

We have performed the procedures enumerated below, which were agreed to by the Finance Committee of the Board of Education and Management of the City of Margate School District, solely to assist you in identifying revenue and cost categories the Board may want to consider analyzing to determine if any additional revenue or cost savings may be realized by the District. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed were as follows:

1) We obtained various financial and non-financial data for the City of Margate School District and four other School Districts located in Atlantic County. These other Districts were Egg Harbor City, City of Linwood, City of Northfield, and City of Ventnor. The source of the data include both the fiscal year 2007 audit report and information obtained from the State of New Jersey Department of Education. All Districts selected operate as Pre-Kindergarten through Grade 8.

*As indicated on Exhibit A, the City of Margate School District is comparable with the other Districts, reported, including the average of all five districts.*

2) We reviewed the sources of revenue of the City of Margate School District to determine if any additional revenue may be realized by the District. As indicated on Exhibit B, 80% of the District's revenue is derived through local taxation with only 7% derived through State Aid. The remaining 13% is derived through other sources such as interest, tuition, and community services. The State of New Jersey has revised the funding formula for State Aid and the effect on the School District is flat funding.

3) We obtained total final budgeted expenditures by major expense category for both the general and special revenue funds. The categories are reported gross and on a per pupil basis. Prior year encumbrances are added to the current year budget amounts. As a result, the budgeted amounts may vary from year to year depending on the prior year encumbrances.

*As indicated in Exhibit C, budgeted expenses for the following categories are higher when compared to the other Districts and to the average of all Districts included in the analysis.*

*Supplies*

*Textbooks*

*Tuition*

*Cleaning, Repairs and Maintenance*

*Insurance*

*Energy (Heat & Electricity)*

*Transportation*

*Again, as mentioned above, the budgeted expenditures may vary from year to year depending on the prior year encumbrances that have been added to the current year budget.*

*Since the Margate and Ventnor School District's are not part of a regional high school district, which levies taxes to the property owners within the district, the District's are responsible for the tuition charged by the Atlantic City School District for the respective District's students attending their high school.*

*For the past 5-6 years, the District has contracted with a service company for the cleaning and maintenance of the school buildings whereas other comparable districts have hired employees to perform these services. Also, the total square footage of all buildings is higher than the average of all Districts which affects the insurance coverage and utilities to operate the buildings.*

4) The District has entered into employment contracts that permit employees to accumulate unused sick and vacation time and to carry over a certain number of days to future years. As indicated on Exhibit D, the value of these days is significantly higher than other Districts included in the analysis due to the longevity of the teaching staff. The Board may want to consider reviewing the current policy for possible revision in the future.

5) We also obtained the median salaries for all districts included in our analysis, although we question the use of the term median rather than average. The categories analyzed were teachers, support services and administrators. As indicated in Exhibit F, the Margate School District is comparable with the other districts and is reasonable when compared to the state median, except for teachers which is higher.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying cost analysis. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the information and use of the Board of Education and Management of the City of Margate School District and is not intended to be and should not be used by anyone other than these specified parties.

Swartz & Co., LLC  
Certified Public Accountants

December 5, 2007

Exhibit A

Comparison of Non-Financial Data

	Average	Margate	Egg Harbor City	Linwood	Northfield	Ventnor
Enrollment	826	593	499	1,004	1,088	948
Total Operating Expenditures	13,396,199	12,863,317	8,640,111	12,688,720	11,962,536	20,826,313
Student/Faculty Ratio	10.6	9.7	10.5	12.0	12.0	9.0
Total Square Footage of all Buildings	153,148	185,574	83,412	198,602	145,797	152,357
Number of Buildings	-	3	3	2	1	1
Preschool		1/2 day	1/2 day	1/2 day	N/A	Full Day
Kindergarten		Full Day	Full Day	1/2 day	Full Day	Full Day
Net Valuation Taxable		3,361,487,250	299,694,731	773,023,780	550,805,426	2,674,012,188
Local School District Tax Levy		10,173,118	1,949,606	9,410,719	8,346,617	15,395,507
Local School District Tax Rate per \$100		0.303	0.651 (A)	1.217 (A)	1.515 (A)	0.576
Regional High School District Tax Rate per \$100		NA	0.454 (B)	0.610 (C)	0.803 (C)	NA

(A) - taxes levied based on calendar year rather than fiscal year

(B) - part of Greater Egg Harbor Regional High School District

(C) - part of Mainland Regional High School District

Source: Exhibits J-17 and J-18, Fiscal Year 2007 Audit Report

## Exhibit B

### Comparison of Revenue Sources

% of Revenue Sources	Egg Harbor				
	Margate	City	Linwood	Northfield	Ventnor
State Aid	7%	64%	16%	28%	12%
Local Taxes	80%	22%	76%	66%	82%
Other	13%	14%	8%	6%	6%

Source: State of New Jersey, Department of Education

**Exhibit C**

**Comparison of Major Budgeted Expense Categories**

Costs of Major Budgeted Expense Categories (Gross)	Egg Harbor					Ventnor
	Average	Margate	City	Linwood	Northfield	
Salaries, excluding admin & central svcs	6,134,934	5,124,134	4,490,404	7,012,653	6,453,429	7,594,048
General Admin Salaries	182,055	200,353	166,055	167,111	207,116	169,640
School Admin Salaries	268,957	216,755	89,915	351,935	276,782	409,400
Central Services Salaries	138,078	137,590	137,137	134,894	148,588	132,179
Supplies	577,185	782,122	363,624	590,829	441,813	707,537
Textbooks	40,530	67,381	16,654	29,341	42,476	46,797
(1) Tuition	1,816,743	2,365,980	320,465	121,647	175,300	6,100,322
Legal/Audit Fees	64,752	63,000	65,238	74,870	68,275	52,375
Communications/Telephone	53,844	62,821	34,168	68,700	69,030	34,500
Cleaning, Repair & Maintenance	377,587	904,015	46,589	204,158	83,792	649,381
Insurance	58,825	100,807	27,030	34,890	40,700	90,700
Energy (Heat & Electricity)	362,239	556,726	169,250	427,917	332,300	325,000
Transportation	222,157	259,047	218,382	156,877	185,441	291,037
Employee Benefits	1,842,338	1,384,839	1,360,405	2,015,736	2,119,461	2,331,248

**Per Pupil Costs of Major Budgeted Expense Categories**

Salaries, excluding admin & central svcs	7,713	8,641	8,999	6,985	5,931	8,011
General Admin Salaries	241	338	333	166	190	179
School Admin Salaries	317	366	180	351	254	432
Central Services Salaries	183	232	275	134	137	139
Supplies	758	1,319	729	588	406	746
Textbooks	53	114	33	29	39	49
(1) Tuition	2,270	3,990	642	121	161	6,435
Legal/Audit Fees	86	106	131	75	63	55
Communications/Telephone	68	106	68	68	63	36
Cleaning, Repair & Maintenance	516	1,524	93	203	77	685
Insurance	78	170	54	35	37	96
Energy (Heat & Electricity)	470	939	339	426	305	343
Transportation	302	437	438	156	170	307
Employee Benefits	2,295	2,335	2,726	2,008	1,948	2,459

Source: Exhibits C-1 and C-2, Fiscal Year 2007 Audit Report

(1) Egg Harbor City, Linwood and Northfield are part of regional high school districts

**Exhibit D**

**Other Cost Comparisons**

	<b>Average</b>	<b>Margate</b>	<b>Egg Harbor City</b>	<b>Linwood</b>	<b>Northfield</b>	<b>Ventnor</b>
Compensated Absences, including business-type activities	410,032	890,899	154,670	319,309	246,309	438,974
Food Service Expenses	227,757	149,185	273,500	0	294,064	422,036

Source: Fiscal Year 2007 Audit Report

## Exhibit E

### Comparison of Median Salaries

	State Median	Margate	Egg Harbor City	Linwood	Northfield	Ventnor
Median Salaries						
Teachers	50,778	73,140	43,000	52,243	48,410	63,012
Support Services	58,500	54,700	43,768	50,834	53,445	70,110
Administrators	100,723	98,592	80,000	93,150	87,550	84,778

Source: State of New Jersey, Department of Education