

SECTION III – REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

**AUDITOR’S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Auditor’s Management Report on Administrative Findings - Financial, Compliance and Performance (Auditor’s Management Report or AMR), is the auditor’s report to the board of education of the findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of November 6, 2006.

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditor’s Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes all items contained in the separate schedule of findings and questioned costs included in the single audit section of the district’s CAFR. A separate report to the board of education outlining findings not included in the report of audit is considered a violation of this statute.

Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A. 18A:23-9*, however, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances, the auditor must report the item as a finding, state that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion.

The report presents the recommendations immediately after the comments. Since this is a stand-alone document, a brief explanation of the statute or procedure for which there is noncompliance should be included so that the reader can understand the issue. The auditor should then include the finding and recommendation.

This section provides a sample of the Auditor’s Management Report. **It is not meant to be a boilerplate and should be adapted to the circumstances of the individual district audit.**

The standard format of the Auditor’s Manager Report includes the following sections:

- A. Table of Contents
 - B. Report of Independent Auditors
 - C. Comments, Findings and Recommendations
 - D. Schedule of Meal Count Activity
 - E. Schedule of Audited Enrollments
 - F. Excess Surplus Calculation
- A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.
 - B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample in this chapter may be expanded to include an opinion on the report if that is the individual firm's policy. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditor’s reports included in the CAFR.
 - C. The Comments, Findings and Recommendations section includes items noted during the audit that require comments and recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's CAFR. The comments and recommendations must be specific under the following applicable headings:

1. Administrative Practices and Procedures
2. Financial Planning, Accounting and Reporting
3. School Purchasing Programs
4. School Food Service
5. Student Body Activities
6. Application for State School Aid
7. Pupil Transportation
8. Facilities and Capital Assets
9. Miscellaneous
10. Follow-up on prior year findings

Recommendations must be included for all negative comments and areas of noncompliance cited, and at a minimum they are to be grouped in the above headings. The auditor may use sub-groupings within these headings.

Auditor recommendations which are not the result of either a required comment or generated by a negative finding but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management". Management suggestions are not required to be included in the district's Corrective Action Plan.

Required comments must include discussions for the following areas and detailed examples are included in the sample provided:

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)
 - N.J.A.C.6A:23-2.5(c) "The independent school auditor shall verify the adequacy of the treasurer's surety bond which is required by N.J.S.A. 18A:17-32, and shall include appropriate comment, and a recommendation, if needed, in the annual school audit report."
- Whether appropriate billing adjustments have been made for tentative and actual tuition charges.
- Examination of Claims
- Salary Accounts
- That encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.
- A certification that district funds were provided and expended in the proper GAAP account/code based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.
- Whether the district has accurately completed its requests for social security reimbursement for TPAF members.
- Advertisement for bids in accordance with statutory requirements. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should

be quoted.

- Limitation of Principal Amount of Bonds 18A:24-19.
- The condition of the records, with both positive and negative findings for:
 - 1) Athletic Association
 - 2) Food Services
 - 3) Student Activity Funds
 - 4) Secretary and Treasurer (status of Secretary's accounting records must be noted)
 - 5) Capital Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in *N.J.A.C. 6A:23-2.5*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

Up to \$100,000	20% of Budget (Minimum \$10,000)
\$100,000.01 to \$250,000	\$20,000 + 15% of all over \$100,000
\$250,000.01 to \$500,000	\$42,500 + 13% of all over \$250,000
\$500,000.01 to \$750,000	\$75,000 + 8% of all over \$500,000
\$750,000.01 to \$1,000,000	\$95,000 + 4% of all over \$750,000
\$1,000,000.01 to \$2,000,000	\$105,000 + 2% of all over \$1,000,000
\$2,000,000.01 to \$5,000,000	\$125,000 + 1% of all over \$2,000,000
\$5,000,000.01 to \$10,000,000	\$155,000 + 1/2% of all over \$5,000,000
\$10,000,000.01 and upwards	\$180,000 + 1/4% of all over \$10,000,000

- D. The Schedule of Meal Count Activity provides a summary of the results of the audit testing of the number of meals claimed for reimbursement under federal subsidy programs. The schedule calculates a total net (over)under claim based on the difference between the meal count tested by the auditor and meal count verified by the auditor. Eligibility application exceptions/reclassifications should also be included in this schedule. A finding and recommendation should be included for any differences noted.
- E. The Schedule of Audited Enrollments provides a summary of the results of the audit testing of the Application for State School Aid (A.S.S.A.) and the District Report of Transported Resident Students (DRTRS). It documents the information reported on the A.S.S.A. in comparison to the district workpapers and compares the information in the district workpapers to the underlying supporting data, quantifying any errors noted. It also documents the information reported on the DRTRS and the amount verified. A finding and a recommendation should be included for any differences noted.
- F. The Excess Surplus Calculation documents the calculation of excess surplus for the district as required by *N.J.S.A. 18A:7F-7* (amended by P.L. 2004, c.73 (S1701)), providing the maximum unreserved/undesignated fund balance which regular districts may have at year end as 2% of adjusted audit year general fund expenditures. County vocational school districts receiving a Commissioner Spending Growth Limitation Adjustment (SGLA) are subject to the 3% surplus limitation. County vocational school districts not receiving a Commissioner SGLA are subject to the 6% surplus limitation.

Auditor's Note – Auditors should review the *Abbott Addendum* for guidance on the Excess Surplus Calculation for Abbott districts.

As a reminder, Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the condition (what is), criteria (what should be), effect (the difference between what is and what should be), cause (why it happened), and recommendation. Auditors should reference USOMB Circular A-133 (Section .510) for specific requirements on the reporting of audit findings in the schedule of findings and

questioned costs when a federal single audit of the district is required. When repeating the findings in the Auditor's Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditor's Management Report.

(SAMPLE AMR)**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Table of Contents

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2-3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	
• General Classifications	3
• Administrative Classifications	4
Board Secretary's Records	5
Treasurer's Records	7
Elementary and Secondary Education Act/ Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	8
Other Special Federal and/or State Projects	9
T.P.A.F. Reimbursement	9
DEPA Accounting	9
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	10-11
School Food Service	11-13
Student Body Activities	13
Application for State School Aid	13
Pupil Transportation	13-14
Facilities and Capital Assets	14
Miscellaneous	14
Follow-up on Prior Year Findings	14
Acknowledgment	14
Schedule of Meal Count Activity	15
Schedule of Audited Enrollments	16-17
Excess Surplus Calculation	18

(SAMPLE AMR)

Report of Independent Auditors

Honorable President and
Members of the Board of Education
_____ School District
County of _____, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the _____ School District in the County of _____ for the year ended June 30, 20__, and have issued our report thereon dated _____, 20__.

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 for the information of the _____ Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Licensed Public School Accountant
No. _____
Firm Name _____

Date _____

(SAMPLE AMR)**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, and 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-13, Insurance Schedule contained in the district's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Anne Edwards	Board Secretary/School Business Administrator Business Administrator	\$10,000.00
Michael E. Leonard	Treasurer	145,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with the Western Surety Company covering all other employees with multiple coverage of \$10,000.00.

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 billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A: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.

Payroll Account (cont'd)

Finding:

Some employees were paid in excess of their approved contract amounts.

Recommendation:

All employees should be paid in strict accordance with their approved contracts.

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.

Finding:

District personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation:

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year end audit.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* as part of our test of transactions of randomly selected expenditure 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 *N.J.A.C. 6A:23A-2.4*. As a result of the procedures performed, a transaction error rate of 1.90% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

Finding:

During our test of transactions it was noted that the district misclassified and misbudgeted professional development costs for non-instructional staff as Improvement of Instruction Services/Other Support Services-Instructional Staff - Other Purchased Professional and Technical Services. The expenditure and related appropriation was reclassified to Business and Other Support Services - Purchased Professional Services for financial statement presentation purposes.

Recommendation:

Districts should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2003 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Classification of Expenditures (cont'd)***B. Administrative Classification Findings******Finding:***

During our test of transactions it was noted that the salary of the chief school administrator was allocated to Instructional Staff Training Services. The expenditure and related appropriation were reclassified to Support Services – General Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that the salary of the principal was allocated to the plant maintenance and transportation functions. The expenditure and related appropriation were reclassified to Support Services – School Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transaction it was noted that legal fees for the placement of a special education student was charged to Other Support Services – Student Extraordinary Services. The expenditure and related appropriation was reclassified to Support Services - General Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that there were no salary expenditures of clerical staff recorded in Central Services as had been in prior years. Clerical positions that were recorded in the prior year in central services were not eliminated but instead reclassified to Attendance without proper documentation to support this change.

Recommendation:

Districts should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2003 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Finding:

During our test of transactions it was noted that the salary of the business administrator was allocated to instruction without documentation that supports the business administrator provided direct classroom instruction as part of the districts regular curriculum.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that the salary of the chief school administrator was allocated to instruction without documentation that supports the chief school administrator provided direct classroom instruction as part of the districts regular curriculum.

Classification of Expenditures (cont'd)

Recommendation:

The allocation of administrative salaries to instruction or support functions should be supported by documentation providing a reasonable allocation method, such as time sheets or teaching roster to support direct classroom instruction as part of the regular curriculum.

Finding:

During our test of transactions it was noted that many of the district's responses to the required completion of the school district questionnaire were incomplete.

Recommendation:

The district should compare the completed school district questionnaire and the payroll registers and an administrative certificated staff roster, or similar document, to assure accuracy and completeness of the school district questionnaire.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

Finding:

Bids received were not summarized in the minutes (N.J.S.A. 18A:18A-21).

Recommendation:

Bids received should be summarized in the minutes of the Board Secretary.

Finding:

Acknowledgment of the Board's receipt (non-receipt) of the Board Secretary's and Treasurer's monthly financial reports was not included in the minutes.

Recommendation:

The Board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's monthly reports.

Finding:

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the board secretary's monthly certification to the contrary (N.J.A.C. 6A:23-2.11).

Recommendations:

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause an over-expenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

Finding:

Payments to vendors were made prior to the receipt of goods.

Recommendation:

Payment should not be made until the receipt of goods.

Board Secretary's Records (cont'd)

Finding:

The capital asset records were not updated for the additions and disposals of capital assets made during the year.

Recommendation:

The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

Finding:

The District is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining Federal funding for special education services.

Recommendation:

The District should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining Federal reimbursement for special education services.

Finding:

The district transferred from special programs (fund 13), an amount that on a cumulative basis exceeded 10 percent of the total amount of special programs included in the original budget, without proper department approval.

Recommendation:

County superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-2.3(d), which is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the county superintendent when written approval is not received.

Finding:

The district transferred from special programs (fund 13), an amount that on a cumulative basis exceeded 10 percent of the total amount of special programs included in the original budget, without proper board approval.

Recommendation:

The district should obtain board approval by a 2/3rds affirmative vote of the authorized membership of the school board for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-2.3(d), which is cumulatively more than 10 percent of that amount.

Finding:

The district made board approved line-item transfers during the year but did not maintain a monthly transfer report and year-to-date transfers in a format prescribed by the Commissioner or approved by the County Superintendent.

Recommendation:

The district should maintain a monthly and year-to-date report of all line item transfers in a format prescribed by the Commissioner or approved by the County Superintendent.

Finding:

Subsequent to the effective date of *N.J.A.C.6A:23A* (December 7, 2004), the district transferred funds to School Administration that on a cumulative basis exceeded 10 percent of the total amount of the original budget for School Administration without proper department approval.

Board Secretary's Records (cont'd)

Recommendation:

County superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), administrative information technology (252), or other admin (290)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the county superintendent when written approval is not received.

Finding:

The district recorded unbudgeted revenue from the sale of equipment and subsequently appropriated additional funds without department approval. Proceeds from the sale of equipment is not one of the revenue sources pursuant to *N.J.A.C. 6A:23A-2.3(c)* for which department approval is not required.

Recommendation:

The district must obtain regional Assistant Commissioner/County Superintendent approval for the additional appropriation of funds resulting from unbudgeted revenue that is not exempt under the code.

Finding:

The district received regional Assistant Commissioner/County Superintendent approval to appropriate surplus not included in the original budget to repair a gymnasium floor. A review of completed purchase orders/vouchers at year end indicated that the gymnasium floor had not yet been repaired.

Recommendation:

Any special request to appropriate unbudgeted surplus during the year should be completed for the original intended purpose by the end of the school year.

Finding:

The district transferred surplus not included in the original budget certified for taxes to capital reserve during the year by board resolution without voter approval.

Recommendation:

Deposits into capital reserve should only be made when voter approval has been obtained. Districts should obtain voter approval through either the original budget certified for taxes or a special question or referendum.

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Finding:

The Treasurer did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (*N.J.S.A. 18A:17-36*).

Recommendation:

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:

Not all cash receipts were promptly deposited.

Treasurer's Records (cont'd)

Recommendation:

The Treasurer should promptly deposit all cash receipts.

Finding:

The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation:

The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Elementary and Secondary Education Act (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./NCLB 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 and reauthorized.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

Finding:

Salary charges were not documented each pay period. Allocated salary charges for teaching staff members were not supported by employee time sheets.

Recommendation:

The allocation of salaries among federal/state grants should be supported by employee time sheets.

Findings:

Three A.B.C. computers and software costing \$3,300 were charged to Title I-Part A. These items were not labeled Title I nor were they located in the designated Title I classrooms. The computer equipment and software were located in an area utilized by the general school population. (Serial Nos. XXXXX, XXXXX and XXXXX)

Printing costs of \$1,200 for a brochure unrelated to E.S.E.A. were charged to the Title I-Part A grant.

Recommendation:

Only those costs associated with the federal/state grants should be charged to the grant.

Findings:

Due to Grantor balances were not returned/disposed of in accordance with the grant agreement.

Recommendation:

Due to Grantor balances must be returned immediately with the submission of the final grant expenditure report.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B 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 the special projects indicated the following areas of noncompliance:

I.D.E.A. Part B

Finding:

Separate accounting was not maintained for each approved project.

Recommendation:

The Board Secretary should maintain separate accounting with the account coding structure of the minimum outline for each state approved project within a federal/state grant program.

Finding:

Grant application approvals and acceptance of grant funds were not made by board resolution or recorded in the minutes.

Recommendation:

All filings of federal and state grant applications and subsequent acceptance of grant funds should be approved by board resolution and recorded in the minutes.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but districts can print out the DOENET screen for an auditor) filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Nonpublic State Aid

Finding:

Project Completion Reports were not finalized and transmitted to the Department by the due date.

Recommendation:

The District must file nonpublic state aid project completion reports, in accordance with Departmental instructions, by the due date.

DEPA Accounting

The school district's accounting records for Demonstrably Effective Program Aid (DEPA) were maintained in accordance with *N.J.A.C. 6A:23-5.5(c)*, which states that the district board of education must maintain separate school-accounts in the special revenue section of the district budget.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>].

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:18A-3 and 4.

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

The district 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.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements 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, amended.

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

Finding:

A Widget computer costing \$18,000.00, not manufactured in the United States, was purchased even though bids submitted for American made computers met the specifications (*N.J.S.A.* 18A:18A-20, amended). (Serial No. XXXX)

Recommendation:

American goods and products should be used where possible.

Finding:

Notice of revisions to bid specifications for purchase of telephone equipment (non construction contracts) was not provided to a vendor who had received a bid package. (*N.J.S.A.* 18A:18A-21c, amended)

Recommendation:

The district should notify any person who has submitted a bid or received a bid package of revisions to bid specifications. One of three permissible means of notification should be used a) in writing by certified mail, b) by certified facsimile transmission, i.e., the sender's facsimile machine produces a receipt showing date and time of transmission and that the transmission was successful or c) by a delivery service that provides certification of delivery to the sender.

Finding:

The purchase of a Fun video center costing \$19,500.00 and designated as made pursuant to a state contract was awarded to a vendor who did not have the state contract for the specific equipment purchased, according to the state contract award bulletin on file in the district's office.

Recommendation:

Contracts awarded to vendors pursuant to a state contract should be made for only those items specifically included in the state contract award bulletin for such vendor.

School Purchasing Programs (cont'd)

Finding:

Bids received, resulting in a capital improvement costing \$23,000.00, performed by MLA Construction Co., were not publicly unsealed and announced in the presence of the parties bidding or their agents (*N.J.S.A.* 18A:18A-21, amended).

Recommendation:

All bids should be unsealed and announced publicly in the presence of the parties bidding or their agents.

School Food Service

[The School Food Service section of the Auditor's Management Report must contain statements such as those noted below (with the respective related findings, if applicable, cross-referenced to the CAFR). Also, please indicate "No Exceptions Noted" when there are no findings].

The financial transactions and statistical records of the school food service 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.

(If applicable) The District utilizes a food service management company and is depositing and expending program monies in accordance with *N.J.S.A.* 18A:17-34, and 19-1 through 19-4.1.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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 and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions were examined for compliance with all counting and claiming requirements. 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. No exceptions were noted.

School Food Service (continued)

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

Auditor's Note: The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*, section 7.13 defines food commodities distributed as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by school districts must be reflected as revenue and expenditures, respectively.

In the event that commodity inventories are not maintained sufficiently to allow the auditor to include this activity in the financial statements and schedules, a finding and recommendation must be included in the Auditor's Management Report.

Finding:

Food service accounting records maintained by the district's central administration office did not agree with the records maintained by the Food Service Director.

Recommendation:

The district should establish procedures that will reconcile the food service director's records and the food service records maintained by the central administration office.

Finding:

The district's food service receipts were not deposited promptly and supporting documentation did not reconcile with the amounts deposited.

Recommendation:

The district's food service receipts should be deposited promptly and intact. Amounts deposited should reconcile to the supporting documentation.

Finding:

Meals claimed did not agree with meal count records resulting in an overclaim, as detailed on the Schedule of Meal Count Activity (See section II-50).

Recommendation:

Prior to submitting reimbursement claims to the N.J. Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

Findings:

A number of exceptions were noted regarding free and reduced price lunch applications. Applications were not properly completed or were missing. The resulting overclaim/underclaim has been identified by the auditor on the Schedule of Meal County Activity.

Recommendation:

The free and reduced applications/documentation should be properly completed as required and available for audit. Incomplete or missing applications should be included in the paid (denied) category.

Finding:

Applications were placed in the incorrect category. The resulting overclaim/underclaim has been identified by the auditor on the Schedule of Meal County Activity.

Recommendation:

The free and reduced applications should be reviewed by district personnel and properly classified as free, reduced, or paid.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding:

The Board had no policy that clearly established the regulation of student activity funds.

Recommendation:

The Board should approve a policy establishing the regulation of student activity funds.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

All cash receipts should be promptly deposited.

Finding:

Not all cash disbursements had proper supporting documentation.

Recommendation:

Proper supporting documentation should be maintained for all cash disbursements.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2005 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 information that was included on the workpapers was verified 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 written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2005-06 District Report of Transported Resident 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. 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.

Finding:

Revenue was recorded prior to signing of the SCC grant agreement.

Recommendation:

Grant revenue should be recorded only after the SCC grant agreement is signed.

Finding:

Contracts were awarded prior to signing of the grant.

Recommendation:

Contracts should only be awarded after the SCC grant agreement is signed.

Finding:

Funds were transferred from the capital reserve account to the capital projects fund prior to signing the SCC grant agreement.

Recommendation:

Funds may be transferred to the capital projects fund only after the SCC grant agreement is signed.

Finding:

The district entered into an energy services contract (ESCO) in which the financing for the improvements to its plant mechanical systems is through a lease purchase agreement (LPA) for ten years.

Recommendation:

Financing for any future ESCO must be obtained through existing legal mechanisms such as bond proceeds (if the scope of the work is in the original question), an LPA for five years or less, or through the annual budget process for the full amount of the retrofitting work.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations:

Approved budgetary line accounts should not be overexpended.

[If there were no prior year findings, indicate "Not Applicable" in this section. Do not omit the section.]

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.

School Food Service**SCHEDULE OF MEAL COUNT ACTIVITY**

ANYTOWN SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM	MEAL CATEGORY	MEALS CLAIMED or MEALS TESTED ^c	MEALS VERIFIED	DIFFERENCE	RATE ^a	(OVER) UNDER CLAIM ^b
National School Lunch (Regular Rate)	Paid	300,000	296,000	(4,000)	.26	\$(1,040.00)
	Reduced	50,000	48,600	(1,400)	2.02	(2,828.00)
	Free	5,820	5,000	(820)	2.42	(1,984.40)
	TOTAL	355,820	349,600	(6,220)		\$(5,852.40)
School Breakfast (Regular Rate)	Paid	125	125	-0-	.33	\$-0-
	Reduced	300	360	60	1.07	64.20
	Free	3,868	3,808	(60)	1.37	(82.20)
	TOTAL	4,293	4,293	-0-		\$(18.00)
Special Milk	Paid	2,500	2,500	-0-	.155	\$-0-
	Free	7,500	7,500	-0-	Average Cost	-0-
	TOTAL	10,000	10,000	-0-		\$-0-
After School Snacks	Paid	350	350	-0-	.05	-0-
	Reduced	0	0	0	.31	0
	Free (Area Eligible)	475	501	26	.63	16.38
	TOTAL	825	851	26		\$16.38
TOTAL NET OVERCLAIM						\$(5,854.02)

(a) Reimbursement rates are subject to annual change. **Rates indicated here are for illustrative purposes only.** See appropriate rates presented on page II-60.14 of this Audit Program.

(b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

(c) If the auditor's review does not include an examination of all meals claimed for the year, this column must be labeled as and represent "MEALS TESTED" and not "MEALS CLAIMED".

Anytown School District
Application for State School Aid Summary
Enrollment as of October 15, 2005

To link to the sample Schedule of Audited Enrollments, click on the link below:

[Audited Enrollments](#)

Select tab ASSA 1 of 2 to print page III-4.21 of the Audit Program.

Anytown School District
Application for State School Aid Summary
Enrollment as of October 15, 2005

To link to the sample Schedule of Audited Enrollments, click on the link below:

[Audited Enrollments](#)

Select tab ASSA 2 of 2 to print page III-4.22 of the Audit Program.

EXCESS SURPLUS CALCULATION

On the following pages are the sample calculation worksheets for the regular districts and for county vocational districts. See Section II, Chapter 10 for the related discussion on EXCESS SURPLUS calculation. Abbott districts should refer to the *Abbott Addendum to the Audit Program* for the sample calculation worksheet applicable to Abbott districts and any related guidance, including the required percentage.

N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) which was signed into law on July 1, 2004, requires that excess surplus for regular school districts is calculated using 2% for June 30, 2005 and thereafter. The minimum was raised from \$75,000 to \$100,000, effective beginning with the year ending June 30, 2004. County vocational school districts receiving a Commissioner SGLA are still subject to 3% surplus as included in Part A of the 6% calculation. County vocational school districts not receiving a Commissioner SGLA are still subject to 6% surplus as included in either Part B or Part C of the 6% calculation. The illustrations that follow show the regular district calculation separately from the county vocational district sample.

CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. The applicable sections are to be submitted as part of the Auditor's Management Report.

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2005-06 Total General Fund Expenditures per the CAFR, Ex. C-1 \$_____ (B)

Increased by:

- Transfer to Food Service Fund \$_____ (B1a)
- Transfer from Capital Outlay to Capital Projects Fund \$_____ (B1b)
- Transfer from Capital Reserve to Capital Projects Fund \$_____ (B1c)

Decreased by:

- On-Behalf TPAF Pension & Social Security \$_____ (B2a)
- Assets Acquired Under Capital Leases \$_____ (B2b)

Adjusted 2005-06 General Fund Expenditures [(B)+(B1s)-(B2s)] \$_____ (B3)

2% of Adjusted 2005-06 General Fund Expenditures [(B3) times .02] \$_____ (B4)

Enter Greater of (B4) or \$100,000 \$_____ (B5)

Increased by: Allowable Adjustment * \$_____ (K)

Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] \$_____ (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-06 (Per CAFR Budgetary Comparison Schedule C-1) \$_____ (C)

Decreased by:

- Reserved for Encumbrances _____ (C1)
- Legally Restricted – Designated for Subsequent Year’s Expenditures \$_____ (C2)
- Excess Surplus – Designated for Subsequent Year’s Expenditures ** \$_____ (C3)
- Other Reserved Fund Balances **** \$_____ (C4)
- Unreserved -- Designated for Subsequent Year’s Expenditures \$_____ (C5)

Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] \$_____ (U1)

SECTION 3

Reserved Fund Balance – Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-\$_____ (E)

Recapitulation of Excess Surplus as of June 30, 2006

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ (E)
Total [(C3) + (E)]	\$ _____ (D)

Footnotes:

- * This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), 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	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Higher Expectations for Learning and Proficiency Aid	\$ _____ (J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ _____ (K)

- ** This amount represents the June 30, 2005 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

- *** Amounts must agree to the June 30, 2006 CAFR and 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	\$ _____
Capital outlay for a district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Tuition reserve	\$ _____
Other state/government mandated reserve	\$ _____
[Other Reserved Fund Balance not noted above]****	\$ _____
Total Other Reserved Fund Balance	\$ _____ (C4)

EXCESS SURPLUS CALCULATION**COUNTY VOCATIONAL DISTRICTS****SECTION 1****A. 3% Calculation of Excess Surplus**

Approved 3% Surplus Level per Department of Education
 (Commissioner SGLA 2005-06 listing) \$ _____ (A)
 Increased by: Allowable Adjustment * \$ _____ (K)

Maximum Unreserved/Undesignated Fund Balance [(A)+(K)] \$ _____ (M)

B. 6% Calculation of Excess Surplus (2005-06 expenditures of \$100 million or less)

2005-06 Total General Fund Expenditures per the CAFR, Ex. C-1 \$ _____ (B)
 Increased by:

Transfer to Food Service Fund	\$ _____ (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1c)

Decreased by:

On-Behalf TPAF Pension & Social Security	\$ _____ (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)

Adjusted 2005-06 General Fund Expenditures [(B)+(B1s)-(B2s)] \$ _____ (B3)

6% of Adjusted 2005-06 General Fund Expenditures
 [(B3) times .06] \$ _____ (B4)
 Enter Greater of (B4) or \$100,000 \$ _____ (B5)
 Increased by: Allowable Adjustment * \$ _____ (K)

Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] \$ _____ (M)

C. 6% Calculation of Excess Surplus (2005-06 expenditures greater than \$100 million)

2005-06 Total General Fund Expenditures \$ _____ (B)
 Increased by:

Transfer to Food Service Fund	\$ _____ (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1c)

Decreased by:

On-Behalf TPAF Pension & Social Security	\$ _____ (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)

Adjusted 2005-06 General Fund Expenditures [(B)+(B1s)-(B2s)] \$ _____ (B3)

2005-06 General Fund Expenditures in excess of \$100 million
 [(B3) minus \$100,000,000] \$ _____ (B4)

3% of General Fund Expenditures in excess of \$100 million [(B4) times .03]	\$ _____ (B5)
(B5) Plus \$6,000,000	\$ _____ (B6)
Increased by: Allowable Adjustment *	\$ _____ (K)
Maximum Unreserved/Undesignated Fund Balance [(B6)+(K)]	\$ _____ (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-06 (Per CAFR Budgetary Comparison Schedule C-1)	\$ _____ (C)
Decreased by:	
Reserved for Encumbrances	_____ (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ (C2)
Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ (C3)
Other Reserved Fund Balances ****	\$ _____ (C4)
Unreserved -- Designated for Subsequent Year’s Expenditures	\$ _____ (C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ _____ (U)

SECTION 3

Reserved Fund Balance – Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER -0- \$ _____ (E)

Recapitulation of Excess Surplus as of June 30, 2006

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ (E)
Total [(C3) + (E)]	\$ _____ (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), 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).

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Total Adjustments [(H)+(I)+(J1)+(J2)]	\$ _____ (K)

** This amount represents the June 30, 2005 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2006 CAFR and 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	\$ _____
Capital outlay for a district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Tuition reserve	\$ _____
Other state/government mandated reserves	\$ _____
Other Reserved Fund Balance not noted above****	\$ _____
Total Other Reserved Fund Balance	\$ _____ (C4)

SECTION III – REPORTING
CHAPTER 5 – AUDIT SUMMARY WORKSHEET DISKETTE

All school districts are required to have their auditor complete and submit the Audit Summary (Audsum) Worksheet(s) computer diskette and the CAFR and then transmit the auditor completed audsum data to the NJ Department of Education via the DOENET. The department uses this information for various reporting and analytical purposes. The information from the Audsum diskette will be downloaded into the actual column of the DOE budget software used by the district. Districts cannot access and revise this data via the budget program if the data is incorrect. Only the auditor can make corrections through the submission of a revised Audsum diskette. For revisions, both the auditor and the district board secretary/business administrator must sign a new letter of transmittal and revised CAFR pages must also be submitted, if applicable. **The board secretary/business administrator is responsible for carefully reviewing the reports generated by the diskette and signing off on the transmittal letter as to the accuracy of the information.** Both the auditor and district personnel are advised to pay particular attention to the accuracy of the data submitted to avoid having to resubmit the data!

Auditor's Note – The Department **highly recommends** that the Audsum be completed prior to filing the CAFR. The Audsum has numerous edits that can flag common reporting errors such as the reporting of excess surplus, special education program expenditures, food service operations, and fund balances.

For districts which operate a regional day school or other approved separate entity in addition to a regular day school, the school auditor must submit separate audit summary diskettes for each entity.

An audit report **will be considered incomplete** until the required Audsum diskette is received by the statutory deadline.

Fund Balance (General Fund)

Separate lines for the breakout of the June 30 fund balance (general fund) are provided in the Audsum diskette. Corresponding lines for the July 1 beginning fund balance classifications are also provided to enable reporting the appropriate balances.

Lines for tuition reserve enable tracking of the reserve for each of three permitted years, both the beginning and the ending balances. These balances are to be entered separately in the Audsum, and not as aggregated balances. (See Section II-10 of this Audit Program and *N.J.A.C. 6A:23A-3.1(f).8* for further reference on tuition reserve). Tuition reserve beginning balance lines are as follows with corresponding ending balances noted in the next paragraph:

- Current Yr Beginning Balance (line 15)
- Prior Year Beginning Balance (line 16)
- Two Years Prior Beginning Balance (line 17)

The following list is to be followed for the classification of ending fund balance – general fund:

- Legal reserves (10010)
- Tuition Reserve – current year adjustment (10015)
- Tuition Reserve – prior year adjustment (10016)
- Tuition Reserve – two years prior adjustment (10017)
- Reserved for encumbrances (10020)

Abbott school districts:

- Reserved for Encumbrances – State & Local Fund 15 (10021) (Memo)
- Reserved for Encumbrances – Federal Fund 15 (10022) (Memo)
- **Current year** excess surplus (10024)
- **Prior year** excess surplus designated for subsequent year's expenditure (10025)
- Reserved for encumbrances – Capital Projects Funds (10030)
- Reserved for adult education (10040)
- Maintenance reserve account (10045)
- Capital reserve account (10050)
- Unreserved - undesignated general fund balances (10070)
- Unreserved fund balance that is designated for subsequent year's expenditure (10075)

The Reserved for Encumbrances – State & Local Fund 15 and Reserved for Encumbrances – Federal Fund 15 lines are a subset of the amount reported in line 10020. The total of these two lines should match the amount reported on the Fund 15 Balance Sheet as Reserved for Encumbrances at the end of the audit year.

Include on the unreserved - designated fund balance line only those amounts which were included in the 2005-06 certified budget as budgeted fund balance on lines 121 (General Fund) +122 (Capital Reserve Increase) +123 (Tuition Adjustment) that have not been included in the legal reserve line or the prior year excess surplus designated for subsequent year's expenditure. Include in the unreserved - undesignated line all other unreserved fund balance.

Transfer of Surplus to the Capital Projects Fund

When specifically approved by the voters or board of school estimate or the Commissioner, districts may transfer surplus from the general fund to the capital projects fund. Such transfers should be shown in the CAFR as an operating transfer with the appropriate disclosure made in the notes to the financial statements. When reporting on the Audsum diskette, the restated balances after the transfer should be reported as the July 1 balances.

Abbott Districts – Fund 15 Audit Summary Worksheet

All districts are required to report school-based expenditures in the 2005-06 Audit Summary Worksheet. A separate Fund 15 statement must be completed for each whole school reform school implementing school-based budgeting. Fund 15 expenditures are reported under the "School Based Expenditures" data entry screen. Failure to enter the Fund 15 data separately will result in the reporting of inaccurate data to Federal and State agencies. This will also cause inaccurate data to be preloaded into upcoming budgets.

When reporting expenditures under the "Expenditures" data entry screen, only include expenditures related to district-wide costs and non-whole school reform schools. Fund 15 expenditures are not to be reported in the "Expenditures" data input screen.