

**FINANCIAL ACCOUNTING
FOR
NEW JERSEY ABBOTT DISTRICTS**

Abbott Addendum to

The Audit Program

2006-2007

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
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SIGNIFICANT CHANGES FOR 2006-07

Highlighted paragraphs and sentences in this Addendum correspond to significant changes or information expanded in 2006-07. Minor changes to dates and other sentences are not highlighted. District personnel and their auditors are encouraged to read the entire document for the most comprehensive understanding of auditing and reporting Fund 15 and to read the “Changes” section of the Introduction in The Audit Program for changes which relate to all districts.

New Jersey Administrative Code Revisions during Fiscal Year 2007

New Jersey Administrative Code as it relates to Abbott districts, N.J.A.C. 6A:10A and N.J.A.C. 6A:10 were adopted on October 24, 2006 and March 19, 2007, respectively, and supercede N.J.A.C. 6A:23 where inconsistencies occur. N.J.A.C. 6A:10 supercedes N.J.A.C. 6A:10A where inconsistencies occur. The 2006-07 fiscal impact of N.J.A.C. 6A:10A relates to the cost efficiency requirements for Abbott districts; school-level budget and financial reporting requirements; district and school-level budgetary transfers requiring Department approval; and, travel and other reimbursable expenditures. The 2006-07 fiscal impact of N.J.A.C. 6A:10 are enhanced cost efficiency requirements and enhanced travel and travel related expenditure payment requirements. The full text of the adopted codes and their amendments can be found at <http://www.nj.gov/education/code>.

Cost Savings Programs (N.J.A.C. 6A:10-2.1)

For the 2006-07 fiscal year, all Abbott districts were required to implement cost savings programs. In the prior years, the regulations required that Abbott districts that received discretionary education opportunity aid (DEOA) payments were required to meet cost efficiency conditions.

N.J.A.C. 6A:10-2.1(d) require Abbott districts to participate in available cost-saving programs that include the Alliance for Competitive Energy Services (ACES), the Alliance for Competitive Telecommunications (ACT), the New Jersey School Boards Association Insurance Group (NJSBAIG) or a joint insurance fund, the New Jersey State Health Benefits Plan, and to be current in submitting all claims for reimbursable costs under the Federal E-rate program for use of the Internet, or to demonstrate savings equal to or greater than the savings that would have been generated by participating in these cost savings programs.

Auditors are required to determine whether the district was participating in the cost savings programs listed in N.J.A.C. 6A:10-2.1 during 2006-07 and document participation or non-participation on the Audit Questionnaire. If the district was not a member of these cost savings programs during 2006-07, the district is required to provide evidence to the auditor as to why they did not participate and if greater savings were achieved. Auditors are required to report a finding if greater savings were not achieved. Auditors are also required to determine whether the district is maximizing its participation in all areas of the Federal E-rate program.

N.J.A.C. 6A:10-2.1(d)9 expanded the requirements of the district to maintain an accurate, complete and timely position control roster to certify the actual number of employees who are being paid for work performed, and that the roster is integrated with the school district’s payroll system and agrees to the account code in the budget software. The position control roster is required to contain the fields detailed in N.J.A.C 6A:10-2.1(d)9i. through xvii. Auditors are required to determine whether the district has an accurate, complete and timely position control roster containing the fields required in N.J.A.C. 6A:10-2.1(d) and document the results of this testing on the Audit Questionnaire.

N.J.A.C. 6A:10-2.1(d)14 requires each Abbott district to document that it has taken appropriate steps to ensure maximum participation in the Special Education Medicaid Initiative (SEMI) program or any State-mandated program designed to maximize Medicaid enrollment of eligible students. Auditors are required to determine if the district maximized enrollment of eligible students and document the results on the Audit Questionnaire.

N.J.A.C. 6A:10A-8.1(a)9 Prohibits Abbott Districts from Establishing Tuition Reserves at June 30, 2007

N.J.A.C. 6A:10A-8.1(a)9 states, “The school district shall not establish a tuition reserve at June 30 of the current year as provided for in N.J.A.C. 6A:23-3.1(f)8.” In prior years, only Abbott districts receiving DEOA were prohibited from establishing a tuition reserve.

Additional EOA – Incremental Cost of Opening a New School Facility Grant Funds

Abbott districts opening a new school facility in the 2006-07 school year were eligible for additional EOA funds to fund the incremental cost of opening that new school facility. The new school facilities portion of the EOA awards were required to be recorded in the special revenue fund and accounted for and spent in accordance with the “New Facility Spreadsheet” that accompanied the budget approval/award letter. The portion of EOA awarded to fund the incremental costs of opening a new school facility was to provide the Abbott districts with the funds necessary to hire teachers, and purchase items necessary to open the school for student use once construction was complete.

Audit requirements of these funds are contained in the State Aid/Grant Compliance Supplement. A new CAFR schedule entitled “Additional EOA – Incremental Cost of Opening a New School Facility” (Exhibit E-6) is required to be prepared by those Abbott districts that received this funding. It is prepared on the budgetary basis of accounting. Instructions on preparing this schedule are included in this Addendum in the section entitled “Preparing the Additional EOA – Incremental Cost of Opening a New School Facility Restricted Aid Schedule.” Any unspent funds or funds that were not spent in accordance with the award are due back to the Department of Education and shall be reflected as a payable at June 30, 2007.

Discretionary Education Opportunity Aid (DEOA)

Abbott districts that determined that a flat-funded budget substantially impaired one or more demonstrably needed program, position or service, could have submitted a written application to the Department requesting additional funds to restore such program, position or service. If approved and granted by the Department, awards of additional EOA referred to as Discretionary Education Opportunity Aid (DEOA) were included in the budget approval/award letters. A DEOA award would have been adjusted based on a review of the district’s June 30, 2006 CAFR for any additional anticipated surplus and carryforward of restricted state resources. Districts were notified of the adjusted amounts in December 2006. Districts receiving DEOA in 2006-07 are required to include a new schedule titled *Schedule of DEOA Expenditures – Budget and Actual* (Exhibit D-4) in their June 30, 2007 CAFR. The schedule includes budget and actual for these programs/positions/services that were restored to the base budget. Additional suggested audit procedures are contained in the State Aid/Grant Compliance Supplement. Any unspent funds or funds that were not spent in accordance with the award are due back to the Department of Education and shall be reflected as a payable at June 30, 2007

Encumbrance Testing

Although not new for 2006-07, the Department would like to stress the importance of encumbrance testing. The procedures outlined in the Encumbrance HOTLINE issued by Assistant Commissioner Rosenberg on September 16, 2003, available at the web site <http://www.nj.gov/education/finance/fp/audit/0405/po.pdf> and included in The Audit Program should be applied to all encumbrances regardless of the source of funds in Abbott districts. This includes general fund district-wide encumbrances, school-level encumbrances, preschool program encumbrances, ECPA, DEPA encumbrances, etc.

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INTRODUCTION

As a result of the May 21, 1998 Abbott v. Burke Supreme Court decision, Abbott districts were required to submit school-based budgets for those schools implementing Whole School Reform [WSR] in addition to their district-wide budget for all other appropriations. This Addendum addresses audit and reporting issues specific to Abbott districts implementing WSR and preparing school-based budgets.

The Blended Resource Fund (Fund 15), a subfund of the general fund, was created to allow budgeting of school-level appropriations and accounting for school-level expenditures. *N.J.A.C. 6A:10A-8.1(a)1* requires all local, State and Federal funds to be considered as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the school and district two-year reports on instructional priorities.

As a result of 6A:10A-8.1(a)1, the general fund in an Abbott district includes Funds 11–13, which collectively represent the operating fund of the district, and a Fund 15 for each WSR school. Fund 15 is school-level accounting while Funds 11 – 13 are district-level accounting. Transfers to Fund 15 from the general fund (Fund 11) or from the special revenue fund (Fund 20) are reflected as “Contribution to WSR”.

The instructions in this document will assist in the preparation of the additional statements/schedules and the modifications to the existing schedules required to report school-level activities. District staff and their auditors should refer to the NJDOE web site <http://www.nj.gov/njded/finance/fp/cafr/> for sample statements which can be downloaded and are available for use in the excel format. The sample statements are not all inclusive. Note that in certain illustrative schedules in this Addendum, only the first and last pages are included. The entire *Special Revenue Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) is included to show the amounts which are used in other schedules. Instructional Supplemental Aid (ISA) is not applicable to Abbott districts, but is included as part of the sample statements which are also on the website noted above for use by all districts.

The outline below provides an overview of the statements or schedules discussed in this Addendum.

Section I

Additional schedules for Abbott districts (illustrations are included in this document)

<u>CAFR statement/schedule title</u>	<u>CAFR Exhibit No.</u>
Blended Resource Fund 15 - Schedule of Blended Expenditures - Budget and Actual [for each WSR school and a district-wide summary]	Exhibit D-3 series
Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type - Actual [for each WSR school and a district-wide summary]	Exhibit D-2 series
General Fund – Combining Balance Sheet	Exhibit D-1
Combining Budgetary Comparison Schedule – General Fund	Exhibit C-1a
Schedule of DEOA Expenditures – Budget and Actual	Exhibit D-4

Worksheet of Encumbrances Allocated by Resource Type for Goods or Services Received after June 30, 2007 (Encumbrance Worksheet) [not included in the CAFR but needed to prepare the Budgetary Comparison Schedule – Special Revenue Fund]	N/A
Restricted State Aid Schedules	
▪ Early Childhood Program Aid (ECPA)	Exhibit E-3 series
▪ Additional EOA – Incremental Cost of Opening a New School Facility – Budgetary Basis	Exhibit E-6 series

Section II

Schedules which are required for all districts, minor modifications needed to include the Fund 15 activities (illustrations are in this Addendum).

Budgetary Comparison Schedule - General Fund	Exhibit C-1
Budgetary Comparison Schedule – Special Revenue Fund	Exhibit C-2
Special Revenue Fund Combining Schedule of Revenues and Expenditures – Budgetary Basis	Exhibit E-1
Restricted State Aid Schedules	
▪ Demonstrably Effective Program Aid (DEPA)	Exhibit E-2 series
▪ Distance Learning Network Aid (DLNA)	Exhibit E-4

Schedules required for compliance with Single Audit; illustrations are in this Addendum.

Schedule of Expenditures of Federal Awards/Schedule A	Exhibit K-3
Schedule of Expenditures of State Financial Assistance/Schedule B	Exhibit K-4
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	Exhibit K-5

Schedules required under GAAP with minor modifications to include the Fund 15 activities. (Examples are not included in this document, instead see NJDOE web site <http://www.nj.gov/njded/finance/fp/cafr/>)

Governmental Funds – Balance Sheet	Exhibit B-1
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit B-2
Notes to Required Supplementary Information	Exhibit C-3

No Child Left Behind (NCLB)

Under NCLB, districts are encouraged to blend eligible funds for eligible schoolwide programs in Fund 15. Schoolwide status is determined on a school by school basis based on poverty levels. Simply being a school in an Abbott district does not make the school eligible to operate a schoolwide program. An LEA should allocate funds to eligible schools based on rank order, on the basis of the number of children from low income families in each school (NCLB §1113 (c)).

SCHOOLWIDE PROGRAMS

One of the requirements of implementing schoolwide programs is to integrate, whenever possible, all local, state and federal resources into one funding stream to implement the applicable year of the school's two year report on instructional priorities. It is therefore important that districts are cognizant of the federal laws permitting blending of federal resources, particularly the Improving America's Schools Act of 1994 (IASA) P.L. 103-382, amendments to the Elementary and Secondary Education Act of 1965 (ESEA), Title I, Part A. ESEA was reauthorized by the No Child Left Behind Act of 2001 (NCLB) (P. L. No. 107-110 enacted January 8, 2002). Refer to <http://www.nclb.gov> and <http://www.nj.gov/njded/grants/entitlement/nclb/> for details of NCLB. In addition, the United States Department of Education (USDOE) website (www.ed.gov) provides written guidance, program ideas and audit information on schoolwide programs at <http://www.ed.gov/admins/lead/account/swp.html?exp=0>. Included at that site is a July 2004 document titled "Notice Authorizing Schoolwide Programs to Consolidate Federal Education Funds." A power point presentation on schoolwide programs can be found at <http://www.ed.gov/admins/lead/account/sw/edlite-index.html>. Information on Title I is available at <http://www.ed.gov/programs/titleiparta/legislation.html?exp=0>.

The basics of a schoolwide program are summarized below. The above resources should be referenced for more detailed and specific information relating to operating a schoolwide program.

NCLB permits a local educational agency (LEA) to consolidate and blend funds "together with other federal, state and local funds, in order to upgrade the entire educational program of a school that serves an eligible school attendance area in which not less than 40 percent of the children are from low-income families, or not less than 40 percent of the children enrolled in the school are from such families" (NCLB §1114). The purpose is to increase the academic achievement for **all** students in the school by allowing schools to integrate their programs, strategies and resources. **Specifically excluded from this provision are Reading First and Emergency Impact Aid funds provided for a displaced student reported as a child with a disability.**

A Title I targeted assistance program uses Title I, Part A funds only for the provision of supplementary educational services to eligible children who are failing, or at risk of failing, to meet state standards. In a Title I schoolwide program, a school is not required to provide supplementary services to identified children but instead can upgrade the entire educational program in the school.

In order to be eligible for a Title I schoolwide program, the school must be eligible for the Title I program; receive Title I, Part A funds; have at least 40 percent of the children enrolled in the school or residing in the school attendance area be from low-income families; comply with a year of planning; and, meet the nine essential program components. To promote effective, long-term planning, a school can maintain its schoolwide program eligibility even if it drops below the 40 percent poverty threshold. However, the school must still meet Title I eligibility and receive Title I funds.

Title I eligibility is a prerequisite of schoolwide program eligibility. Without an approved schoolwide program, a school is not permitted to blend federal funds with state and local funds. These ineligible Abbott schools may only blend state and local funds.

Only eligible Title I schools receiving Title I funds may operate schoolwide programs.

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SECTION I**ABBOTT DISTRICT SCHEDULE INSTRUCTIONS****SCHOOL-LEVEL SCHEDULES*****BLENDING RESOURCE FUND 15 - SCHEDULES OF BLENDED EXPENDITURES – BUDGET AND ACTUAL (EXHIBIT D-3 SERIES)***Overview:

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibit D-3 series) are prepared from the district's records and are the responsibility of the district. A separate schedule for each school is prepared as well as a district-wide schedule. These schedules detail the budget and actual expenditures incurred to implement the current year of the two year report on instructional priorities in the individual schools. These schedules are included as Other Supplementary Information in the CAFR (See Outline of CAFR). Comparative schedules are not required. Sample schedules are included in this Addendum and are available in excel format on the DOE Finance/CAFR website at: <http://www.nj.gov/njded/finance/fp/cafr/>.

The United States Department of Education (USDE) has given districts that have an approved schoolwide program the authority to combine certain federal resources, and has interpreted "combining" funds as the use of a single accounting code for the schoolwide programs. Funds are viewed as combined at the time they are expended. This is accomplished in New Jersey by requiring all WSR schools to record school-based budget expenditures in the Blended Resource Fund (Fund 15). Fund 15 is considered a sub-fund of the general fund. Revenues are recorded in Fund 15 as operating transfers from the general (Fund 10) and special revenue funds (Fund 20).

N.J.A.C. 6A:10A-8.1(a)1 requires all local, State and Federal funds to be considered as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the school and district three-year operational plans. This expands the district's authority to blend certain federal funds to include certain state and local funding sources. A school that operates a schoolwide program may consolidate funds from other Federal education programs in addition to Title I, Part A funds to improve academic achievement throughout the school. Specifically, section 1114(a) (3) (A) of Title I authorizes the Secretary of Education, through publication of a notice in the Federal Register, to permit schoolwide programs to consolidate funds from any other noncompetitive, formula grant program or any discretionary grant program administered by the Secretary of Education and to exempt schoolwide programs whose funds are consolidated, if the intent and purposes of the programs are met. Specifically excluded from this provision are Reading First and Emergency Impact Aid funds provided for a displaced student reported as a child with a disability. A schoolwide program school may **not** consolidate funds under Subpart I of Part B of Title I of the ESEA (Reading First) to establish reading programs for students in kindergarten through grade 3. Certain other Federal programs administered by the Secretary of Education are limited in the amount of funds that can be consolidated/blended in a schoolwide program. Auditors should consult the July 2, 2004 Federal Register (Volume 69, Number 127), which can be found at <http://www.ed.gov/legislation/FedRegister/other/2004-3/070204a.html> for further guidance on schoolwide programs and blending.

The following programs are used in the illustrations in this Addendum for blending in school-based budgets.

- Title I, Part A: *Improving Basic Programs Operated by Local Education Agencies*
- Title II, Part A: *Teacher and Principal Training and Recruiting Fund*
- Title II, Part D: *Enhancing Education Through Technology*
- Title IV, Part A: *Safe and Drug-Free Schools and Communities*

- Title V, Part A: *Innovative Programs*

The auditor should review the district-wide and school-based budgets to identify which funds were combined to support the schoolwide program.

The auditor should also ensure that the individual schools have approved schoolwide status if federal funds are being blended in the school's school-based budget and that only allowable program funds are blended in the school-based budget.

Preparation:

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibits D-3a through 3c) detail the budgeted and actual expenditures incurred to implement the current year of the school two-year report on instructional priorities in the individual schools. This schedule should be prepared for each WSR school in the district. Districts are required to include the following columns:

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance Final to Actual

The original “budgeted” appropriations are taken from the Abbott school-based budget section of the district’s 2006-07 final approved budget and should include the rollover of prior year encumbrances. The final budget column is the budget adjusted for approved transfers. Transfers from instructional accounts to non-instructional accounts require department approval pursuant to N.J.S.A 18A:7F-6(c). N.J.A.C 6A:10A-8.2(k) eased the requirements of Abbott districts to apply to the department for approval on school-level transfers, but does not supercede N.J.S.A 18A:7F-6(c). N.J.A.C. 6A:10A-8.2(i) requires department approval on all transfers into and out of charter school appropriation lines in the district-wide budget. N.J.A.C. 6A:10A-8.2(j) requires the district to transfer the full amount included on the lines entitled “Local Contribution – Transfers to Special Revenue” (line 2506) in the 2006-07 approved budget to the special revenue fund by December 31, 2006 to fully fund preschool. Auditors should refer to these requirements when reviewing transfers to ensure the district complied with the requirements of N.J.A.C. 6A:10A. P.L. 2004, c. 73 signed into law July 1, 2004 provides restrictions on transfers applicable to all districts. See the 2006-07 Audit Program, Section I-4 “Budgets and Transfers” for further guidance on this statute and the related regulations.

Abbott districts do not utilize the special schools series of account and budget numbers in school-based budgets, therefore any budgetary schedules or worksheets will not include these lines.

The original “budgeted” revenues are reported as operating transfers below the expenditures, and are obtained from the Abbott school-based budget section of the district’s 2006-07 final approved budget. The budget transfers column is used to record the CAFR adjustments to the district’s final approved budget, which the districts were notified of by the Department in December 2006. Auditors should review the Department’s letter to the district and ensure the CAFR adjustments are recorded properly in the district’s accounting records. The “actual” revenues are adjusted (by closing entries) to equal the amount of revenues necessary to exactly offset the individual funding source’s proportionate share of expenditures and the change in June 30 encumbrances once that amount has been determined. This amount will be the same as the budgetary basis expenditures calculated on the encumbrance worksheet (Exhibit ENC-W/S). A detailed discussion of this calculation is contained in the section entitled “Preparing the Blended Resource Fund – Schedule of Expenditures allocated by Resource Type – Actual (Exhibit D-2 series).”

The *Blended Resource Fund - Schedules of Blended Expenditures – Budget and Actual* (Exhibit D-3 series) included in the sample schedules show only the totals of the individual categories from each expenditure

category which would be included in Fund 15. **The actual schedules should be prepared detailing all accounts that are applicable to the particular school.**

After the individual school *Blended Resource Fund - Schedule of Blended Expenditures – Budget and Actual* (Exhibits D-3a through D-3b) are completed, a district-wide *Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) must be prepared. The district-wide schedule (Exhibit D-3) is a summation of the individual school schedules (Exhibits D-3a through D-3b). Following the completion of these schedules, the *Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type –Actual* (Exhibit D-2 series) can be prepared.

INSERT EXHIBIT D-3 (District-wide first page for illustration)

**Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007**

To display the District-wide D-3 first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Total Fund 15- Exp.Sum.pg17”.

Selecting print will produce page 17 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-3 (District-wide last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007

To display the District-wide D-3 last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Total Fund 15- Exp.Sum.pg18”.
Selecting print will produce page 18 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:
<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-3a (Lincoln School first page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007

To display the school #1 (Lincoln) D-3a first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Lincoln Exp.Sum.pg19”.

Selecting print will produce page 19 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-3a (Lincoln School last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007

To display the school #1 (Lincoln) D-3a last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Lincoln Exp.Sum.pg 20”.

Selecting print will produce page 20 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-3b (Washington School first page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007

To display to the school #2 (Washington) D-3b first page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Washington Exp.Sum.pg21”.

Selecting print will produce page 21 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-3b (Washington School last page for illustration)

Blended Resource Fund 15
Schedule of Blended Expenditures – Budget and Actual
For Fiscal Year Ended June 30, 2007

To display the school #2 (Washington) D-3b last page illustration, click on the following link:

[Blended Expenditures](#)

Select the tab entitled “Washington Exp.Sum.pg 22”.

Selecting print will produce page 22 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

BLENDED RESOURCE FUND 15 - SCHEDULE OF EXPENDITURES ALLOCATED BY RESOURCE TYPE – ACTUAL (EXHIBIT D-2 SERIES)

Overview:

The *Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2 series) is prepared from the district's records and is the responsibility of the district. A separate schedule is prepared for each school in order to calculate surplus/carryover by funding source at the school level. The individual school-level carryovers are added together to determine the district-wide surplus/carryover by funding source. Comparative schedules are not required. These schedules are to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Sample schedules are available on the DOE Finance/cafr website at <http://www.nj.gov/njded/finance/fp/cafr/>.

The resource types and amounts included on the *Schedule of Expenditures Allocated by Resource Type- Actual* represent the resources, including June 30, 2006 fund balance reserved for encumbrances associated with the general fund contribution at June 30, 2006, and any deferred revenue or carryover from 2005-06 which was budgeted in 2006-07 to fund the current year of the school two-year report on instructional priorities. The June 30, 2006 encumbrances allocated to the restricted federal resources are a component of the June 30, 2006 deferred revenue blended in the 2006-07 school-based budget. Schools not required to prepare school-based budgets in 2005-06 would include only the 2006-07 resource allocations on the school's *Schedule of Expenditures Allocated by Resource Type-Actual* and would not have school-level fund balance reserved for encumbrances associated with the general fund contribution at June 30, 2006, or deferred revenue or carryover at July 1, 2006, with the exception of DEPA carryover from the prior year.

Total expenditures reported on the *Schedule of Blended Expenditures – Budget and Actual* will be allocated to the various funding sources using the ratio of the individual resource to the total resources in that school. For example, if 25% of the resources blended in a school are from Title 1, then 25% of the expenditures in that school are Title 1 expenditures. There will not be any deferred revenue/carryover resulting from budgeted restricted state aids because restricted state aids are considered spent before the general fund contribution when allocating expenditures to state and local contributions to whole school reform. This results in any unspent state or local contributions to WSR falling to general fund surplus at June 30.

Calculation For the First Year of Implementation of WSR:

The percent of resources calculation used to allocate expenditures to the various funding sources is detailed on the *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2 series). The “% of Total Resources” column is a calculation of what percentage each resource type is of the total resources blended in the school-based budget. The calculation is the individual resource amount divided by the total of all resources. “Total Expenditures Allocated as a % of Total Resources” is calculated as the total actual expenditures from the individual location's *Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) multiplied by the “% of Total Resources” for each funding type. “Total Surplus/Carryover” is the surplus/carryover for each resource type and is calculated as the difference between the “Resource Amount (Final Budget)” and the “Total Expenditures Allocated as a % of Total Resources.” For federal programs, “Total Surplus/Carryover” at June 30 is considered deferred revenue and is referred to as deferred revenue/carryover throughout this document.

Calculation for Second and Subsequent Years of Implementing WSR:

In the second and subsequent years of implementing WSR, schools will have general fund balance reserved for encumbrances and deferred revenue/carryover from June 30 of the prior year as well as current year resource allocations to be blended in their school-based budgets.

Once the prior year June 30 allocation is performed and the deferred revenue/carryover for the federal funding sources is calculated, the LEA has the option of reallocating the federal funds back to the schools on July 1st in the amounts that were originally deferred, or reporting the amounts less the individual funding sources allocation at June 30 encumbrances as unexpended program funds at August 31st and including those amounts on the district's carryover application as of August 31, 2006.

Since the state fiscal year is July 1 through June 30, and the federal grant period is September 1 through August 31, if the deferred revenue/carryover is reallocated back to the schools at July 1st of the subsequent year, an additional allocation similar to the one detailed above, in the section entitled "Calculation For the First Year of Implementation of WSR," is required for July and August of the subsequent year to determine the various federal program expenditures to be included on the final expenditure report. If this approach is taken, the calculation of expenditures allocated by resource type should be prepared in two pieces; July and August; and, September 1 through June 30. These two pieces from the current fiscal year will be added together for CAFR reporting purposes. The July and August piece will be added to the prior year September through June piece for federal final expenditure reporting purposes.

If the prior year June 30 deferred revenue/carryover less the allocation of encumbrances is reported as unexpended program funds at August 31 and included on the district's carryover application as of August 31, 2007, expenditures allocated to the various funding sources on June 30 of the subsequent year are calculated based on the ratio of total deferred revenue/carryover returned to the schools to fund the rollover of encumbrances plus the current year allocation to the total resources blended in the school-based budget. The total school-based expenditures are then multiplied by this percentage to determine the school-based expenditures allocated to the particular funding source. Once the total school-based budget expenditures allocated to the particular funding sources are determined, **those expenditures are allocated to the deferred revenue/carryover/general fund reserve for encumbrances before being allocated to the current year allocation** when determining deferred revenue/carryover at June 30 of the subsequent year. For example, if the Title 1 allocation was \$10,000 for 2006-07 and the 2005-06 carryover was \$1,000, total Title 1 expenditures are allocated first to the \$1,000 carryover and then to the \$10,000 current year allocation. Therefore, if the Title 1 allocated expenditures are \$9,000, the \$1,000 carryover was spent first and the remaining \$8,000 was spent from the current year allocation. This process is repeated each June 30 to allocate expenditures, determine June 30 deferred revenue, and report carryover on August 31.

Operating Transfers and District-wide Summary:

Once the total expenditures and encumbrances by resource type are determined, districts are required to adjust the corresponding revenue amounts recorded in Fund 15 for each WSR school. This is accomplished as part of the year-end closing procedures similar to the revenue adjustments on Exhibit C-2. An equal and corresponding operating transfer into Fund 15 should offset the GAAP basis expenditures plus the change in June 30 encumbrances reported for each funding source. This amount will be the same as the budgetary basis expenditures calculated on the encumbrance worksheet (Exhibit ENC-W/S). Federal deferred revenue/carryover associated with allocations to WSR schools should be reported in the special revenue fund at June 30, 2007 with a corresponding operating transfer into Fund 15. *N.J.A.C. 6A:10A-8.1(a)1* considers all state funds to be general funds available for the general fund for the purpose of implementing the school and district three-year operational plans; therefore, there will be no state deferred revenue associated with the Contribution to WSR at June 30. **Once DEPA, ECPA, and DLNA funds are transferred to Fund 15, they**

are considered general funds to be spent in Fund 15 and are determined to be fully spent in Fund 20. Therefore, the actual expenditures recorded on the “Contribution to Whole School Reform” line will always equal the budgeted amount on that line. Any budgeted and unspent DEPA, ECPA, or DLNA contribution to WSR included in Fund 15 at June 30 is recorded as general fund surplus. Unbudgeted DEPA, ECPA, or DLNA should be reflected in the appropriate carryover calculation in the special revenue fund section of the CAFR.

Once a *Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2 series) is prepared for each location, a district-wide summary is prepared. This summary provides the detail of the expenditures by funding source necessary to complete the *Worksheet of Reserve for Encumbrances Allocated by Resource Type for Goods and Services Received after June 30, 2007* (ENC W/S). This worksheet is necessary to convert GAAP basis expenditures to the budgetary basis for inclusion in the *Schedule of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4, respectively), and to determine the amount of the operating transfers into Fund 15 to offset the GAAP basis expenditures plus the change in June 30 encumbrances. **The district-wide summary is a summation of the amounts reported on the individual school calculations. This information is not to be recalculated for the district as a whole.**

Since schoolwide programs are not separate federal programs as defined in OMB A-133, nor separate state programs, amounts used in schoolwide programs should be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The *Schedule of Expenditures of Federal Awards* and the *Schedule of Expenditures of State Financial Assistance* must include the total expenditures of the program funds for WSR schools and non-WSR schools. The federal and state resources contributed to WSR should be included in the amounts reported in *Footnote 3* in the *Notes to Schedules of Expenditures of Awards and Financial Assistance* (Exhibit K-5). The OMB Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs. See *Footnote 7* in *Notes to Schedules of Expenditures of Awards and Financial Assistance* (Exhibit K-5) for a sample of this footnote.

The *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) is prepared on the modified accrual basis (with the exception of the last state aid payment), where encumbrances are not recorded as expenditures until the year the goods or services are received. The *Budgetary Comparison Schedule - Special Revenue Fund* – (Exhibit E-2) and the Single Audit Schedules (K Schedules) are prepared on a budgetary basis, where encumbrances are recorded as expenditures in the year the purchase order is written. Therefore, the *Schedule of Expenditures Allocated by Resource Type – Actual* must be adjusted for encumbrances (illustrated on the Encumbrance Worksheet) before preparing the *Budgetary Comparison Schedule – Special Revenue Fund* and the Single Audit Schedules. The Encumbrance worksheet is not required to be submitted with the district’s CAFR.

INSERT EXHIBIT D-2 District-wide

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2007

To display the District-wide D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Total Fund 15 Res.Sum 2007”.
Selecting print will produce page 26 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:
<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-2, Lincoln School

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2007

To display the School #1 (Lincoln) D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Lincoln Res.Sum 2007”.

Selecting print will produce page 27 of the Abbott Addendum

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT D-2 Washington School

Blended Resource Fund 15
Schedule of Expenditures Allocated by Resource Type – Actual
For the Fiscal Year Ended June 30, 2007

To display the School #2 (Washington) D-2 illustration, click on the following link:

[Expenditures by Resource Type](#)

Select the tab entitled “Washington Res.Sum 2007”.

Selecting print will produce page 28 of the Abbott Addendum

Refer to the DOE website sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

GENERAL FUND – COMBINING BALANCE SHEET (EXHIBIT D-1)

The *Combining Balance Sheet* (Exhibit D-1) is required for Abbott districts; is prepared from the district records; and, is the responsibility of the district. This schedule is included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Since Fund 15 is a sub-fund of the General Fund, the *Combining Balance Sheet* presents the combined actual amounts for the general fund to be included on the *Governmental Funds Balance Sheet* (Exhibit B-1). Prior year data is not required in the *Combining Balance Sheet* nor is it included in the *Governmental Funds Balance Sheet*. See the sample on the next page.

This schedule is prepared with Column 1 representing the current year GAAP basis data for the Operating Fund (Fund 11 – 13) and Column 2 representing the current year GAAP basis data for the Blended Resource Fund (Fund 15). The two columns are added together to determine the current year Total General Fund Balance Sheet data, which is presented in Column 3.

The adjustment for the last 2006-07 state aid payment which is not recognized as revenue on GAAP statements must be made before this balance sheet can be prepared. An adjustment to recognize revenue for the payment in July 2006 must also be made. This payment was not recognized as revenue on the GAAP statements for 2005-06 but is GAAP basis revenue for 2006-07. Refer to The Audit Program pages I-8.10 – I-8.16 for further discussion on the adjustment for the last 2006-07 state aid payment. Districts are permitted to have a negative unreserved fund balance resulting from the adjustment for the last state aid payment. (*N.J.S.A. 18A:22-44.2*)

The combined total general fund (Funds 11-13 and Fund 15) amounts from the *Combining Balance Sheet* flow to the General Fund column of the *Governmental Funds Balance Sheet* (Exhibit B-1). A sample of Exhibit B-1 is not included in this document but is available on the DOE Finance/cafr website at <http://www.nj.gov/njded/finance/fp/cafr/>

INSERT Exhibit D-1

**General Fund
Combining Balance Sheet – GAAP Basis
June 30, 2007**

To display the D-1 illustration, click on the following link:

[Combining Balance Sheet](#)

Selecting print will produce page 30 of the Abbott Addendum

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

COMBINING BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (EXHIBIT C-1a)

Overview

The *Combining Budgetary Comparison Schedule-General Fund* (Exhibit C-1a) is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR). Comparative schedules are not required. Sample schedules are available on the DOE Finance/cafr website at: <http://www.nj.gov/njded/finance/fp/cafr/>

Fund 15 is a sub-fund of the General Fund; therefore, a *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a) must be completed to determine the total general fund budget and actual amounts to be included on the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1).

Preparation

Districts are required to include the following columns for the Operating Fund (Funds 11-13), the Blended Resource Fund (Fund 15), and the Combined Total General Fund (Funds 11-13 plus Fund 15):

- Original Budget (columns 1-3)
- Budget Transfers (columns 4-6)
- Final Budget (columns 7-9)
- Actual (columns 10-12)

Original Budget

Column 1 represents the current year original budgeted revenues, expenditures and operating transfers for the Operating Fund (Funds 11 - 13). This information should include the rollover of prior year encumbrances. Column 2 represents the current year original budgeted expenditures and operating transfers, adjusted for prior year encumbrances, in Fund 15. The budget information reported in column 2 is obtained from the current year district-wide *Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3). Column 3 is the sum of the amounts reported in columns 1 and 2.

Budget Transfers

Column 4 represents the current year approved transfers out of and between lines of the Operating Fund (Funds 11 - 13). Column 5 represents the current year operating transfers into and between lines of Fund 15. Column 6 is the sum of the amounts reported in columns 4 and 5. The transfer amount in each column should agree to the difference between the original and final budget for each column (Fund 11-13, Fund 15 and Total).

Final Budget

Columns 7 and 8 represent the final approved budget after transfers for the Operating Fund (Funds 11-13) and Fund 15 respectively. Column 9 is the total of the amounts reported in columns 7 and 8. The “final” budget is the original budget, including the rollover of prior year encumbrances, adjusted for approved transfers.

Actual

The last set of columns (actual) is the actual revenues, expenditures and operating transfers for the general fund. The actual amount for the Operating Fund (Fund 11-13) is obtained from the district’s general ledger. The actual amount for Fund 15 is obtained from the Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual - (Exhibit D-3).

Abbott Specific Lines

Abbott district budgetary comparison schedules include budget lines only applicable to Abbott districts such as Education Opportunity Aid and additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid. Preschool Expansion Aid is recorded directly in the special revenue fund on line 429 and not included in the *Combining Budgetary Comparison Schedule-General Fund*. The general fund contribution to WSR (transfer to Fund 15) is reported in Fund 10 as Other Operating Transfers-Out and reported in Fund 15 as Other Financing Sources-In. The transfers between Fund 10 and Fund 15 must equal. The transfer to the special revenue fund to fully fund preschool is reported in Fund 10 as Other Operating Transfers Out. The transfer from the special revenue fund to Fund 15 is also reported under Other Operating Transfers In.

The current year combined information included on this schedule is used to complete the *Budgetary Comparison Schedule-General Fund* (Exhibit C-1).

INSERT EXHIBIT C-1a (first page Original Budget and Budget Transfers for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2007**

To display the C-1a (first page Original Budget and Budget Transfers) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled "C-1a – pg 33 & 34".

Selecting print will produce pages 33 and 34 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT C-1a (first page Final Budget and Actual for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2007**

To display the C-1a (first page Final Budget and Actual) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled "C-1a – pg 33 & 34".

Selecting print will produce pages 33 and 34 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT C-1a (last page Original Budget and Budget Transfer for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2007**

To display the C-1a (Last page Original Budget and Budget Transfers) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled “C-1a – pg 35 & 36”.

Selecting print will produce pages 35 and 36 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT C-1a (last page Final Budget and Actual for illustration)

**Combining Budgetary Comparison Schedule
General Fund
For Fiscal Year Ended June 30, 2007**

To display the C-1a (Last page Final Budget and Actual) illustration, click on the following link:

[Combining Budgetary Comparison Schedule](#)

Select the tab entitled "C-1a – pg 35 & 36".

Selecting print will produce pages 35 and 36 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

SCHEDULE OF DEOA EXPENDITURES – BUDGET AND ACTUAL

Overview:

The *Schedule of DEOA Expenditures – Budget and Actual* (Exhibit D-4) is prepared from the district's records and is the responsibility of the district. This schedule details the programs, positions and services restored to the base budget, the actual expenditures incurred to implement those approved programs, positions and services and is required to be included in the CAFRs of districts that were awarded DEOA in 2006-07. DEOA awards were included in the budget approval/award letters of the applicable districts and were adjusted based on a review of the district's June 30, 2006 CAFR. Districts were notified of the adjusted amounts in a letter from the Department in December 2006. Suggested audit procedures are contained in the State Aid/Grant Compliance Supplement. This schedule is included as Other Supplementary Information in the CAFR (See Outline of CAFR). A sample schedule is included in this Addendum.

Instructions:

The schedule is prepared in six sections; Approved Programs/Positions/Services, Required Appropriation Reallocations, Required Revenue Reallocations, June 30, 2006 CAFR Adjustments, Adjusted DEOA Award and Unspent Balance with columns for Amount Restored to the Base Budget, Amount Spent on Restored Items, and Variance.

The line numbers included on the sample are for illustrative reference purposes only and are not required to be included on the CAFR schedule.

Approved Programs/Positions/Services (Lines 1-10 on the sample schedule)

The approved programs, positions and services and the amounts restored to the base budget included in the budget approval letter awarding the DEOA and the accompanying spreadsheet are reported in this section.

Lines 11 is the sum of lines 1 through 10.

Required Appropriation Reallocations (Lines 12-14 on the sample schedule)

This section is used to report the appropriation reallocations included in the budget approval letter awarding the DEOA and accompanying spreadsheet. "Amount Restored to the Base Budget" and the "Amount Spent on Restored Item" should equal, and are the amounts included in the budget approval letter awarding the DEOA and accompanying spreadsheet. The amounts included in the "Amount Spent on Restored Item" column are the amounts transferred from the various accounts identified in the appropriations reallocations to fund the approved programs, positions and services. Not all districts receiving DEOA in 2006-07 will have required appropriation reallocations. Auditors should review the budget approval/award letter to determine whether the district had required appropriation reallocations.

Lines 15 is the sum of lines 12 through 14.

Required Revenue Reallocations (Line 16 & 17 on the sample schedule)

This section is used to record the revenue reallocations identified in the budget approval letter awarding the DEOA and accompanying spreadsheet. The amounts restored to the base budget are the amounts included in the budget approval letter awarding the DEOA and accompanying spreadsheet. The amounts included in the "Amount Spent on Restored Item" column are the additional revenue amounts reflected in the district's accounting records to fund the approved programs, positions and services. Not all districts receiving DEOA in 2006-07 will have required revenue reallocations. Auditors should review the budget approval/award letter to determine whether the district had required revenue reallocations.

Lines 18 is the sum of lines 16 and 17.

June 30, 2006 CAFR Adjustments (Lines 20 & 21 on the sample schedule)

This section includes the additional revenues identified by the Department from the district's June 30, 2006 CAFR. These additional revenues are included in the CAFR adjustment letters issued to the districts in December 2006 and are used to offset DEOA revenues.

Lines 22 is the sum of lines 20 and 21.

Line 23 – “Adjusted DEOA award” represents the amount of additional state funds awarded to the district in their budget approval letter net of subsequent June 30, 2006 CAFR adjustments included in the December 2006 CAFR letter. This amount should agree to the total DEOA the district has received in state aid payments for 2006-07 and the amount reported on the Schedule of Expenditures of State Financial Assistance.

Line 24 – “Transfer to Capital Reserve Approved in the 2007-08 budget” represents the amount the district has recorded on line 1640 column 3 of the Advertised Recapitulation of Balances report in the approved 2007-08 budget. Districts that received DEOA in 2006-07, but did not request DEOA in 2007-08 were permitted to transfer excess general fund money into a capital reserve with voter approval in the 2007-08 budget. Districts that requested DEOA in 2007-08 should have zero on this line.

Line 25 – “Unspent Balance”

For districts that requested DEOA in 2007-08, the unspent balance is calculated as the difference between the budget award to actual realized revenue or expenditures that the district is required to return to the State of New Jersey, Department of Education, Budget and Accounting, P.O. Box 500, Trenton, New Jersey 08625-0500 in a check payable to Treasurer, State of New Jersey.

Districts that did not request DEOA in 2007-08, will not have any June 30, 2007 CAFR adjustment offsets required by the Department for 2006-07 DEOA awards, and are not required to return these unspent funds to the Department. In this case, the unspent funds become part of general fund balance and subject to the excess surplus calculation.

INSERT EXHIBIT D-4

**Schedule of DEOA Expenditures – Budget and Actual
Special Revenue Fund
For Fiscal Year Ended June 30, 2007**

To display the D-4 illustration, click on the following link:

[DEOA Schedule](#)

Selecting print will produce page 39 of the Abbott Addendum.

SECTION II

SELECTED SCHEDULE/STATEMENT INSTRUCTIONS

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (EXHIBIT C-1)

The *Budgetary Comparison Schedule - General Fund* (Exhibit C-1) is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR).

The amounts reported on this schedule are the combined general fund amounts reported on the *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a: Column 3 for original budget, Column 6 for transfers, Column 9 for final budget, Column 12 for actual).

Comparative schedules are not required. Sample schedules are available on the DOE Finance/GASB 34 website at <http://www.nj.gov/njded/finance/fp/cafr/>. Districts are required to include the following columns for the Combined Total General Fund (Funds 11-13 plus Fund 15):

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance – Final Budget to Actual

Abbott district budgetary comparisons may include revenue and expenditure lines such as Education Opportunity Aid and Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid, which are applicable only to those districts. Preschool Expansion Aid is recorded directly in the special revenue fund on line 429 and is not included in the *Budgetary Comparison Schedule-General Fund*. This schedule for the general fund will include budget lines for the operating transfer in from the Special Revenue Fund. The Contribution to Whole School Reform operating transfer from the Operating Fund (Fund 11-13) to the Fund 15 reported on the *Combining Budgetary Comparison Schedule-General Fund* (Exhibit C-1a) is eliminated since the two components of the general fund are combined. The transfer to the special revenue fund for preschool programs is reported as Other Operating Transfers Out. The transfer from the Special Revenue Fund is also reported under Other Operating Transfers In.

The ending Fund Balance as presented on this *Budgetary Comparison Schedule* is used in the Excess Surplus Calculation. This differs from the GAAP fund balance due to the delay of the last 2006-07 state aid payment from June until July 2007. (See the section in this Addendum on Excess Surplus Calculation for further guidance). At the end of the *Budgetary Comparison Schedule – General Fund*, the district is required to present a Recapitulation of Balances and Reconciliation to the Fund Balance per the GAAP statements. An adjustment is made to reverse the 2006-07 last state aid payment, but the 2005-06 payment received in July 2006 has been included in the budgetary fund balance which was rolled forward on this schedule. See the last page of the sample schedule following this page.

INSERT EXHIBIT C-1 (first page for illustration)

**Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2007**

To display the C-1 first page illustration, click on the following link:

[Budgetary Comparison G/F](#)

Select the tab entitled "C-1 pg 41".
Selecting print will produce page 41 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:
<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT C-1 (last page for illustration)

**Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2007**

To display the C-1 last page illustration, click on the following link:

[Budgetary Comparison G/F](#)

Select the tab entitled "C-1 pg 42".

Selecting print will produce page 42 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND (EXHIBIT C-2)
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES – BUDGETARY BASIS
(EXHIBIT E-1)
ENCUMBRANCES WORKSHEET (EXHIBIT ENC-W/S)

The *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Required Supplementary Information section of the CAFR (see OUTLINE OF CAFR).

Comparative schedules are not required. Sample schedules are available on the DOE Finance/GASB 34 website at <http://www.nj.gov/njded/finance/fp/cafr/>. Districts are required to include the following columns for the Combined Total Special Revenue Fund (Fund 20):

- Original Budget
- Budget Transfers
- Final Budget
- Actual
- Variance - Final to Actual

The Original Budget column represents the total of the various special revenue fund original grant and state aid/grant budgets (budgetary basis). The Final Budget represents the total of the final approved grant budgets plus the final state aid/grant approved budgets. The Actual amounts reported on this schedule are the combined special revenue fund amounts and are obtained from and should agree to the *Combining Schedule of Program Revenues and Expenditures-Budgetary Basis* (Exhibit E-1: Totals column).

The line entitled Transfer Out to Whole School Reform is reflected as “Other Financing Uses” following the total facilities acquisition and construction services and “transfer” to charter schools. The amount is obtained from the *Combining Schedule of Program Revenue and Expenditures– Budgetary Basis* (Exhibit E-1: Totals column). The amounts on that combining schedule (Exhibit E-1) are on a budgetary basis and are calculated for each program as follows:

- 1) Complete the *Blended Resource Fund 15 –Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) – see page 22 of this Addendum. This schedule allocates total Fund 15 GAAP expenditures to the various resource types based on the percentage of those resources to the total resources available for Fund 15.
- 2) Complete the Encumbrances Worksheet (Exhibit ENC-W/S) using the resource percentages and the GAAP expenditure amounts obtained from the calculation above (Exhibit D-2) and the prior and current year encumbrances. This worksheet is necessary to convert GAAP expenditures to budgetary basis expenditures since special revenue fund schedules (i.e., Exhibits C-2, E-1) are reported on the budgetary basis where encumbrances are recorded as expenditures in the year the purchase order is issued.
 - Use the general fund and special revenue fund amounts for DEPA, ECPA and DLNA in total.
 - Use each of the federal expenditure amounts from D-2.
- 3) Report the calculated federal budgetary expenditures from the completed Encumbrances Worksheet and carry them to the Contribution to WSR line for each program on the *Combining Schedule of Program Revenue and Expenditures– Budgetary Basis* (Exhibit E-1).
- 4) The amounts reported on the Contribution to WSR line for DEPA, ECPA and DLNA on the Combining Schedule are obtained from the applicable district-wide budgetary basis restricted aid schedule (Exhibit E-2, E-3 or E-4).
- 5) The total Contribution to WSR on the Combining Schedule is carried over to the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) for the actual column, Transfer Out to Whole School Reform (General Fund).

Overview on Encumbrance Allocation

Encumbrances must be allocated to the various funding sources, at the school level, using the same methodology that was used to allocate GAAP basis expenditures (see section on Exhibit D-2). Encumbrances are not allocated to the individual restricted state funding sources because the total state contribution to WSR is considered fully spent in Fund 20 when the funds are contributed to Fund 15. At that point, the funds are considered available for the general fund for the purpose of implementing the school two-year report on instructional priorities in accordance with 6A:10A-8.1(a)1. **Encumbrances are allocated to the combined general fund contribution and state resources as one amount.** The encumbrance allocations are performed on a school level using the “% of Total Resources” calculated for each school on the Exhibit D-2 series. Encumbrances are recorded as fund balance reserved for encumbrances in the Fund 15 column of the *Combining Balance Sheet* (Exhibit D-1). The *Combining Balance Sheet* is required to be included in the CAFR.

Once the school-level encumbrance allocations are performed, the individual funding type encumbrances from each school are added together to determine the district-wide encumbrances by funding type. The district-wide encumbrances by funding type are then added to the applicable district-wide GAAP expenditures and prior year district-wide encumbrances by funding type are subtracted to determine the budgetary basis expenditures to include on the line entitled, Contributions to WSR on the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1).

The Worksheet of Reserve for Encumbrances Allocated by Resource Type (Exhibit ENC-W/S) has been included in this document to illustrate the calculations of the budgetary basis amount reported as Contribution to WSR based on the combined (General and Special Revenue Fund) state funding and each of the federal resources. This worksheet should not be included in the CAFR.

The sample encumbrance calculation includes an allocation of encumbrances to the Combined General Fund Contribution and State Resources. This was done to illustrate how the total encumbrances are allocated based on the “% of Total Resources.”

The Fund 15 encumbrances will be included in the CAFR in Fund 15 as fund balance reserved for encumbrances on the *Balance Sheet*. Encumbrances are not reported as expenditures in Fund 15.

INSERT EXHIBIT C-2

**Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2007**

To display the C-2 illustration, click on the following link:

[Budgetary Comparison SRF](#)

Selecting print will produce page 45 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1 (first page)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1 first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1”.

Selecting print will produce pages 46 and 47 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1 (second page)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1 second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1”.

Selecting print will produce pages 46 and 47 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1a (first page -1 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1a first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1a”.

Selecting print will produce pages 48 and 49 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1a (second page -2 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1a second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1a”.

Selecting print will produce pages 48 and 49 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1b (first page - 1 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1b first page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1b”.

Selecting print will produce pages 50 and 51 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1b (second page - 2 of 2)

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1b second page illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1b”.

Selecting print will produce pages 50 and 51 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-1c

Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
For the Fiscal Year Ended June 30, 2007

To display the E-1c illustration, click on the following link:

[Combining Revs & Exp SRF](#)

Select the tab entitled “Ex E-1c”.

Selecting print will produce page 52 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT ENC-W/S

Blended Resource Fund 15
Worksheet of Reserve for Encumbrances Allocated by Resource Type for Goods or Services Received
after June 30, 2007

To display the Encumbrance Worksheet illustration, click on the following link:

[Encumbrance Worksheet](#)

Selecting print will produce page 53 of the Abbott Addendum.

SELECTED BASIC FINANCIAL STATEMENTS/ NOTE INSTRUCTIONS

GOVERNMENTAL FUNDS – BALANCE SHEET (EXHIBIT B-1)

The *Governmental Funds Balance Sheet* (Exhibit B-1) is prepared from the district records and is the responsibility of the district. This statement is included in the Basic Financial Statements section of the CAFR (see OUTLINE OF CAFR included in this Addendum). Sample GASB 34 statements are available on the DOE Finance/GASB 34 website at <http://www.nj.gov/njded/finance/fp/cafr/>.

The amounts reported on this statement are the combined general fund amounts reported on the *Combining Balance Sheet* (Exhibit D-1).

The *Governmental Funds Balance Sheet* contains a column for each governmental fund. The columns included in this statement are:

- General Fund
- Special Revenue Fund
- Capital Projects Fund
- Debt Service Fund
- Permanent Fund
- Total Governmental Funds

The *Governmental Funds Balance Sheet* should include a reconciliation of total governmental funds fund balance to the net assets of governmental activities included in the *Statement of Net Assets (Exhibit A-1)*. Adjustments to convert the amounts on the *Governmental Funds Balance Sheet* to the accrual method of accounting and to eliminate interfund balances are necessary.

The General Fund line Fund Balance – Reserved for Encumbrances on the *Governmental Funds Balance Sheet* at June 30, 2007 will include the Fund 15 year-end encumbrances as reported on the *Combining Balance Sheet* as well as the Fund 10 year-end encumbrances.

The fund balance used for the excess surplus calculation is taken from the *Budgetary Comparison Schedule (Exhibit C-1)*, not from the *Balance Sheet* discussed on this page.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (EXHIBIT B-2)

The information included in this statement (Exhibit B-2) is obtained from the governmental fund type detailed schedules within the CAFR. A sample GASB 34 statement (Exhibit B-2) is available on the DOE Finance/cafr website at <http://www.nj.gov/njded/finance/fp/cafr/>. Abbott districts will include the line for Transfer – Contribution to Whole School Reform for the transfer from the special revenue fund to Fund 15. Abbott districts will also include the transfer from the General Fund to the Special Revenue Fund to fully fund preschool on the line titled Transfer to Special Revenue Fund – Preschool Programs.

The Special Revenue Fund data included on this statement is reported on a GAAP basis, whereas the data included in the Special Revenue Fund schedules is reported on the budgetary basis. Encumbrances are reported as expenditures on the budgetary basis, but not on the GAAP basis. The reconciliation of budgetary basis expenditures as reported in the *Budgetary Comparison Schedule - Special Revenue Fund* (Exhibit C-2) to GAAP basis expenditures is presented in the Notes to Required Supplementary Information, Budget to GAAP Reconciliation (Exhibit C-3).

The revenue difference due to the delay in the last state aid payment (which is not recognized for GAAP basis statements) will be reported as a reconciling item for both the special revenue and general fund. The payment made in July 2006 related to the 2005-06 school year is recognized in the 2006-07 fiscal year on a GAAP basis and will also be reported as a reconciling item for both funds. The reconciliation is presented in the *Budget to GAAP Reconciliation* (Exhibit C-3) in the Notes to Required Supplementary Information. Refer to The Audit Program, pages I-8.10 through I-8.16 for further discussion on the adjustments for the last state aid payment and to the next page of this Addendum and to The Audit Program pages III-3.4 through III-3.10 for information on the reconciliation and the related disclosures. The Abbott district reconciliation will be similar to all districts with the additional inclusion of lines for the operating transfers related to WSR and to fully fund preschool.

Other Financing Sources (Uses)

The Operating Transfer In to the General Fund and the Operating Transfer Out of the Special Revenue Fund represent the total of the Blended Resource Fund (Fund 15) expenditures paid in the general fund from the contribution of federal and state restricted sources. These amounts are obtained from the Fund 15 district-wide summary of the *Blended Resource Fund -Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2) and are included on this statement in the Other Financing Sources (Uses) section.

The Operating Transfer to Special Revenue Fund – Preschool Programs is included on the *Statement of Revenues, Expenditures and Changes in Fund Balances* in the Other Financing Sources (Uses) section.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (EXHIBIT C-3)
Reconciliation from Budget to GAAP Information

Since the implementation of GASB 34, the information formerly included in *Note 1(D) Summary of Significant Accounting Policies – Budgets/Budgetary Control* is now part of the required reconciliation from budgetary basis “revenues” to GAAP revenues and from budgetary basis “outflows” to GAAP expenditures in the *Required Supplementary Information Budgetary Comparison Schedule, Note to Required Supplementary Information* (Exhibit C-3) (Reconciliation). The reconciliation ties the budgetary reporting to the GAAP statements in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* (Exhibit B-2) for the funds which have a Budgetary Comparison Schedule (General Fund, Exhibit C-1 and Special Revenue Fund, Exhibit C-2). A sample reconciliation including both resources and expenditures is included as Exhibit C-3 on the DOE Finance/cafr website at: <http://www.nj.gov/njded/finance/fp/cafr/>.

General Fund

The total “revenues” (budgetary basis) amount for the General Fund is obtained from the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1). The budget for districts in New Jersey is on a modified accrual basis with the exception of the recognition of revenue for the last state aid payment. As required by N.J.S.A. 18A:22-44.2 (P.L. 2003, c.97) for budgetary purposes, the last state aid payment for the 2006-07 school fiscal year (paid in July 2007) is recognized as revenue at June 30, 2007. For GAAP purposes, this revenue is not recognized until the subsequent year when it is included in the State budget. Thus, the last state aid payment from the preceding year (2005-06 paid in July 2006) is recognized as 2006-07 GAAP revenue (increases 2006-07 revenue) and the last state aid payment for the audit year (2006-07 paid in July 2007) is not recognized as GAAP revenue until 2007-08 (decreases 2006-07 revenue). These amounts are included in the C-3 Budgetary Inflows and Outflows to GAAP Revenues and Expenditures Reconciliation under “Sources/inflows of resources.”

The sample *Budgetary Comparison Schedule – General Fund* (Exhibit C-1) presented on page 38 of this Addendum illustrates the “budgetary” to GAAP fund balance reconciliation. Located after the fund balance recapitulation, the reconciliation from the “budgetary” fund balance to the GAAP fund balance requires only the reversal of the last state aid payment for 2006-07 received in July 2007 included as revenue in the budgetary fund balance, but not recognized until 2007-08 for GAAP. It is not necessary to adjust for the final state aid payment from 2005-06 received July 2006, since that payment was recognized in the ending budgetary fund balance from the prior year and has been rolled forward into the July 1 fund balance.

Total expenditures of the General Fund must be reported, but there should be no reconciling items, since the budgetary expenditures are on a modified accrual basis.

Special Revenue Fund

Total revenues (budgetary basis) of the Special Revenue Fund are obtained from the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2). The Special Revenue Fund is also affected by the revenue recognition treatment of the last state aid payment discussed under the General Fund above. The last state aid payment for 2005-06 (budgetary) is recognized for GAAP basis statements in 2006-07 and the last payment for 2006-07 (budgetary) is not recognized until 2007-08 for the GAAP statements. These amounts are included in the C-3 reconciliation under “Sources/inflows of resources.” In addition, GAAP revenue recognizes the prior year encumbrances which were liquidated in the audit year and does not recognize the year-end encumbrances until the subsequent year when the encumbrances are liquidated.

The amount for total expenditures (budgetary basis) is also obtained from the actual column of the *Budgetary Comparison Schedule – Special Revenue Fund* (Exhibit C-2) and represents total budgetary basis expenditures for the district. That amount is then increased for prior year encumbrances and decreased for current year encumbrances to determine total current year expenditures on a GAAP basis.

SPECIAL REVENUE FUND

PREPARING THE RESTRICTED STATE AID SCHEDULES (EXHIBITS E-2, E-3 E-4 AND E-6)

District-wide Demonstrably Effective Program Aid (DEPA), Early Childhood Program Aid (ECPA), and Distance Learning Network Aid (DLNA) restricted state aid schedules are required to be included in the Special Revenue Fund (E-series) section of the CAFR. A new series of restricted state aid schedules is required to be prepared for Abbott districts that received Additional EOA – Incremental Cost of Opening a New School Facility funding in 2006-07. A schedule is required for each school that Additional EOA – Incremental Cost of Opening a New School Facility funding was awarded to fund in 2006-07 and a district-wide summary is also required. This funding was require to be recorded in the special revenue fund and accounted for in accordance with the budget approval/award letter and accompanying “New Facility Spread Sheet.”

ECPA and DLNA carryovers are reported on a district-wide basis, whereas DEPA is reported by school. Since DEPA funding is generated by school, a calculation of DEPA actual expenditures as well as carryover is required for each non-WSR school. *N.J.A.C. 6A:10A-8.1(a)1* considers DEPA funds transferred to Fund 15 as revenue available for the purpose of implementing the school three-year operational plans. The DEPA Budget and Carryover Calculations are no longer required for WSR schools, unless the WSR school has unbudgeted DEPA carryover.

Once DEPA, ECPA and DLNA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore the actual expenditures recorded on the “Contribution to Whole School Reform” line should always equal the budgeted amount on that line. There will be no DEPA, ECPA or DLNA carryover related to whole school reform schools in Fund 20 at June 30, 2007, with the exception of unbudgeted carryovers. Any unspent DEPA, ECPA or DLNA contribution to WSR included in Fund 15 at June 30, 2007 will be considered general fund surplus.

CALCULATION OF DEPA BUDGET & CARRYOVER IN A NON-WHOLE SCHOOL REFORM SCHOOL IN AN ABBOTT DISTRICT (EXHIBIT E-2 SERIES)

At the bottom of each non-WSR school schedule is a calculation of the 2006-07 Available & Unbudgeted Funds and the Actual Carryover as of June 30, 2007. Line (1) represents the DEPA allocation for that school. This amount can be obtained from the district’s SAINET 2001-02 state aid printout. Since 2001-02 school-level allocations were generated on a revenue basis, some districts’ 2006-07 DEPA allocations by school will not agree with the total DEPA revenue as reported on the 2006-07 SAINET printout. Districts were given the flexibility to allocate any additional amounts to any existing school that had currently generated DEPA or to a new school. The amounts by school would be listed on the district’s final approved budget in Supporting Documentation Item 16. In instances where original aid allocations by school included closed or omitted schools, department approval would have been necessary to change the school allocation and should be on file at the district.

Line (2) represents the actual audited DEPA carryover as of June 30, 2006 for that location. **Districts receiving Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) in 2006-07 were required to revise the budgeted 2006-07 carryover amount to agree to the actual June 30, 2006 carryover and reduce DEOA. Districts were notified of this in the CAFR adjustment letters issued by the Division of Abbott Implementation in December 2006.**

Line (3) represents the total 2006-07 DEPA funds available for the 2006-07 budget (sum of Lines 1 and 2).

Line (4) represents the amount the district included in its DEPA budget for the fiscal year 2006-07 including approved carryover amounts and contribution to charter schools and WSR.

Line (5) represents the difference between Line (3) and Line (4). If a district did not revise its budgeted original allocation (if applicable) or revise its budgeted June 30, 2006 carryover, then this amount is considered Available and Unbudgeted as of June 30, 2007 and is considered a component of the Actual Carryover – DEPA as of June 30, 2007.

Line (6) represents 2006-07 budgeted DEPA (Line 4) less the “total actual” for the school. This amount represents the unexpended/unencumbered DEPA.

Line (7) is the total of Lines (5) and (6).

Line (8) can be found in the 2007-08 Supporting Documentation Item 16c for that location from the 2007-08 final approved budget.

If a WSR school has unbudgeted DEPA carryover from June 30, 2006, a calculation of budget and carryover is required for that school.

PREPARING THE DEPA RESTRICTED AID SCHEDULES (EXHIBIT E-2 SERIES)

The *Schedules of Demonstrably Effective Program Aid* (Exhibit E-2 series) are prepared from the district records and are the responsibility of the district. These schedules are to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document). A separate schedule must be prepared for each non-WSR school as well as a district-wide schedule. Districts are required to track DEPA expenditures in non-WSR schools in the special revenue fund using the uniform grant project budget schedule coding structure. All WSR schools were required to transfer the DEPA funds to Fund 15 and blend them with other funds in Fund 15.

Separate schedules by location are not prepared for WSR schools because actual spending by program is not tracked using the uniform grant project budget schedule coding structure for these schools. *N.J.A.C. 6A:10A-8.1(a)1* requires all local, State and Federal funds as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the school and district two-year report on instructional priorities. Once DEPA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the actual expenditures recorded on the “Contribution to Whole School Reform” line will always equal the budgeted amount on that line. The “budgeted” amount in this line is the total DEPA resources contributed to WSR schools, which is obtained from the district’s 2006-07 final approved detailed appropriations line 13681 adjusted for any Board approved transfers. There is no DEPA budgeted carryover related to WSR schools in Fund 20 at June 30, 2007. Any unspent DEPA contribution to WSR included in Fund 15 at June 30, 2007, is considered general fund surplus.

Actual expenditures versus total budgeted spending, as well as carryover/deferred revenue are reported by location. This schedule is to be prepared on the budgetary basis where “actual” equals the 2006-07 expenditures plus encumbrances at June 30, 2007. These encumbrances must be liquidated within 60 to 90 days. A schedule is to be prepared for each non-WSR school or location that spent DEPA.

A district-wide summary schedule is to be prepared once a schedule is completed for each non-WSR location and the *Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2 series) is completed for each WSR school. The “actual” column is the sum of the “total actual” columns from the location schedules. The “budgeted” column can be obtained from the district’s 2006-07 final approved detailed appropriations lines 13410 – 13690 adjusted for any revised allocations, approved carryovers and/or transfers. The total “budgeted” expenditures reported on the district-wide summary must equal the sum of the total budgeted DEPA expenditures (Line 4).

The “budgeted” amount on the line “Contribution to Charter Schools” should be the estimated payment of DEPA to charter schools generated by the resident students projected to attend the charter schools and included on budget line 13682 and coded to program 999 in Supporting Documentation Item 16c. The “actual” amount on this line is the total DEPA paid to charter schools, by the public school district, for the public school district resident students attending the charter school.

The bottom of the district-wide summary is a roll up of the carryover calculations from the location schedules. The amount reported as Total 2006-07 DEPA Allocation must agree to the total DEPA entitlement reported on the 2001-02 DEPA State Aid printouts. Due to flat funding, new DEPA allocations by school were not distributed in 2006-07. The amount reported as “Actual Carryover-DEPA” less the revenue amount of the 2006-07 last state aid payment plus the revenue amount from the 2005-06 last state aid payment paid in July 2006 for DEPA must agree to the total of the deferred revenue reported on *Schedule B, Schedule of State Financial Assistance*, under DEPA. The deferred revenue amounts appearing in the *Balance Sheet* of the Basic Financial Statements will be the total of the deferred revenue per the *Schedule of Expenditures of State Financial Assistance, Schedule B*, plus any encumbrances. This difference will be included in the Budget to GAAP Reconciliation contained in *Notes to Required Supplementary Information*.

Please note that on the sample statements every possible account is listed for non-WSR schools. This is an optional format. Districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample statements should not appear on the actual statement in the CAFR.**

INSERT EXHIBIT E-2 (District-wide)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-2 illustration, click on the following link:

[DEPA](#)

Select the tab entitled "Ex E-2".

Selecting print will produce page 60 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-2a (School A)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-2a (School A) illustration, click on the following link:

[DEPA](#)

Select the tab entitled “Ex E-2a”.

Selecting print will produce page 61 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-2b (School B)

**Special Revenue Fund
Demonstrably Effective Program Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-2b (School B) illustration, click on the following link:

[DEPA](#)

Select the tab entitled "Ex E-2b".

Selecting print will produce page 62 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

PREPARING THE ECPA RESTRICTED AID SCHEDULE (EXHIBIT E-3)

The *Schedule of Early Childhood Program Aid* (Exhibit E-3 series) is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document). Abbott districts are required to record the early childhood appropriations and expenditures for the three and four-year old programs in the special revenue fund and the appropriations and expenditures for the kindergarten programs in the school-based budgets of the school containing the classrooms. If an early childhood center contains preschool classes and kindergarten classes, the preschool appropriations are recorded in Fund 20 and the kindergarten appropriations and expenditures are recorded in Fund 15.

Beginning in 2004-05, Abbott districts are required to budget separately the costs for regular preschool education, preschool special education inclusion classroom costs and preschool self contained and other special education costs. A line is also included in the 2006-07 budget for Other: preschool costs. Supporting documentation item 15 allows for this level of budgeting detail. Abbott districts are required to account for these four preschool programs separately in their accounting records to allow for end of year reporting in the CAFR. The year-end CAFR reporting must reflect this budgeting detail as well as include a column for transfers between line items. An ECPA restricted aid schedule is required for each program budgeted separately on supporting documentation item 15 and a summary schedule of all programs is also required to be prepared. The all programs schedule will include lines for the contribution to charter schools and contribution to whole school reform as well as the calculation of budget and carryover, which are not included on the individual preschool program schedules.

The preschool programs were funded with Early Childhood Program Aid (ECPA), ECPA carryover, Preschool Expansion Aid (PSEA), and a general fund transfer (line 2506), which could include Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid. Consistent with prior years, districts were permitted to transfer ECPA to Fund 15 to fund the second half day of kindergarten and grades 1-3.

PSEA is state aid available in 2006-07 for funding Abbott districts' increases in department approved budgeted costs from 2001-02 to 2006-07 for the projected expansion of preschool programs. Abbott districts were notified of their initial PSEA amounts on March 23, 2006. PSEA was adjusted based on October 15, 2006 Application for State School Aid (A.S.S.A.) preschool enrollments. Abbott districts were notified of their adjusted PSEA amounts on January 4, 2004. If no A.S.S.A. or audit adjustments are necessary, the initial PSEA award will equal the final PSEA award. Beginning with the 2004-05 budgets, PSEA is recorded on line 429 in the special revenue fund. There should be no transfer to the special revenue fund on budget line 2511 for Abbott districts. All transfers from the general fund to the special revenue fund for preschool are required to be recorded on line 2506.

The full amount of PSEA awarded to the district is required to be budgeted in the special revenue fund on line 429 to fund the increase in the 2006-07 approved preschool plan over the 2001-02 approved preschool plan. If the sum of 2006-07 PSEA plus 2006-07 ECPA plus June 30, 2006 audited carryover budgeted in 2006-07 exceeds the approved 2006-07 preschool plan plus the statutorily required transfer to charter schools, the remaining ECPA funding should have been contributed to WSR to augment kindergarten and grades 1-3 program costs.

N.J.A.C. 6A:10-8.1(a)1 requires all local, State and Federal funds to be considered as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the school and district three-year operational plans. Once ECPA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the

actual expenditures recorded on the “Contribution to Whole School Reform” line will always equal the budgeted amount on that line. The “budgeted” amount in this line is the total ECPA resources contributed to WSR schools, which is obtained from the district’s 2006-07 final approved detailed appropriations line 13291 after board approved transfers, and CAFR adjustments for districts receiving Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) in 2006-07. There is no ECPA budgeted carryover related to WSR schools in Fund 20 at June 30, 2007. Any unspent ECPA contribution to WSR included in Fund 15 at June 30, 2007, is considered general fund surplus.

The format of the schedule was designed to provide an audit trail of the actual versus budgeted expenditures as well as to calculate deferred revenue. This schedule is to be prepared on the budgetary basis where “actual” equals the 2006-07 expenditures plus encumbrances at June 30, 2007. These encumbrances must be liquidated within 60 to 90 days. The “original budget” amounts for the “All Programs” schedule can be obtained from the district’s 2006-07 final approved detailed appropriations lines 13010 – 13300 adjusted for any approved carryovers. The “original budget” amounts for the individual preschool programs (regular preschool education, preschool special education inclusion classroom costs; and preschool self contained and other special education costs and other) can be obtained from the applicable supporting documentation item 15b in the approved budget. The budgeted “Contribution to Charter Schools” amount is the total included on Supporting Documentation 15a, which is the amount included on line 13292 of the 2006-07 final approved advertised budget. The “actual” amount in this line is the total aid paid to charter schools, by the public school district, for the public school district resident students attending the charter school. The “budget transfers” column represents the approved transfers between program lines during the year. The sum of these two columns equals the “final budget” column. “Actual” expenditures are obtained from the district’s accounting records. “Variance” represents the difference between final budget and actual expenditures. The individual preschool program schedules should total to the amounts on the all programs schedule for lines 13010 through 13290. The all programs schedule should also include lines for Contribution to Whole School Reform (13291) and Contribution to Charter Schools (13292) and the Calculation of Budget and Carryover, which are not included on the individual preschool program schedules. The sample schedules that follow this section have been revised accordingly.

At the bottom of the all programs schedule is a calculation of the Available & Unbudgeted funds as of June 30, 2007 (Line 7) and the 2006-07 Actual Carryover (Line 9).

Line (1) represents the total 2006-07 ECPA allocation. This amount can be obtained from the district’s SAINET in the 2006-07 state aid printouts.

Line (2) represents the actual audited ECPA carryover as of June 30, 2006. Districts receiving Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) in 2006-07 were required to revise the budgeted 2006-07 carryover amount to agree to the actual June 30, 2006 carryover.

Line (3) represents the amount transferred from the general fund to fund preschool programs. Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) and other general fund resources may have been used to support the preschool program. The total amount transferred can be obtained from lines 511 and 2506 in the 2006-07 final approved budget.

Line (4) represents the total 2006-07 PSEA allocation. This amount can be obtained from the January 4, 2007 adjusted FY 2006-07 PSEA award letter using the October 15, 2006 A.S.S.A. Preschool enrollment.

Line (5) represents the total ECPA/PSEA funds available for the 2006-07 budget (the sum of Lines 1-4).

Line (6) represents the amount the district included in its ECPA budget for the fiscal year 2006-07 including the contributions to WSR and charter schools. This line should agree to the total budgeted expenditures reported in the first column of this schedule.

Line (7) represents the difference between Line (5) and Line (6). The amount on Line 7 is considered Available and Unbudgeted as of June 30, 2007. Line (7) is then considered a component of the Actual Carryover – ECPA as of June 30, 2007.

Line (8) represents 2006-07 final budgeted ECPA (Line 6) less the “total actual” for the program. This amount represents the 2006-07 unexpended/unencumbered ECPA and should agree to the variance column in the schedule.

Line (9) is the total Actual Carryover – ECPA as of June 30, 2007 and is the sum of Lines (7) and (8). This carryover less the revenue amount of the 2006-07 last state aid payment plus the revenue amount from the 2005-06 last state aid payment paid in July 2006 for ECPA must agree to the total of the deferred revenue reported on Schedule B, *Schedule of State Financial Assistance*, under Early Childhood Program Aid. The deferred revenue amounts appearing in the *Balance Sheet (Exhibit B-1)* of the Basic Financial Statements will be the total of the deferred revenue per the *Schedule of Expenditures of State Financial Assistance, Schedule B*, (Exhibit K-4) plus any encumbrances. This difference will be included in the Budget to GAAP Reconciliation (Exhibit C-3) contained in the Notes to the Required Supplementary Information.

Line (10) can be found in the 2006-07 Supporting Documentation 15a from the 2007-08 final approved budget. If the actual carryover (Line 9) is less than the budgeted amount, then the district must revise their 2007-08 budget.

Please note that on the sample statement every possible account is listed. This is an optional format. Districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample statements should not appear on the actual statements in the CAFR.**

INSERT EXHIBIT E-3

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Preschool – All Programs
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-3 illustration, click on the following link:

[ECPA](#)

Select the tab entitle “Ex E-3”.

Selecting print will produce page 66 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-3a

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Preschool – Full Day 3Yr & 4 Yr - Regular
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-3a illustration, click on the following link:

[ECPA](#)

Select the tab entitled Ex E-3a

Selecting print will produce page 67 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-3b

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Preschool – Special Education Inclusion Classroom Costs
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-3b illustration, click on the following link:

[ECPA](#)

Select the tab entitled “Ex E-3b”.

Selecting print will produce page 68 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-3c

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Preschool – Special Education Self Contained & Other Special Education Costs
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-3c illustration, click on the following link:

[ECPA](#)

Select the tab entitled “Ex E-3c”.

Selecting print will produce page 69 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

INSERT EXHIBIT E-3d

**Special Revenue Fund
Early Childhood Program Aid Schedule of Expenditures
Preschool - Other
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-3d illustration, click on the following link:

[ECPA](#)

Select the tab entitled "Ex E-3d".

Selecting print will produce page 70 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

PREPARING THE DLNA RESTRICTED AID SCHEDULE (EXHIBIT E-4)

The *Schedule of Distance Learning Network Aid (DLNA)* (Exhibit E-4) is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document). For 2006-07, this section is limited to DLNA carryover since DLNA was no longer a funding source after 2003-04.

All districts are required to track DLNA expenditures in non-WSR schools in the special revenue fund using the uniform grant project budget schedule coding structure. All WSR schools were required to transfer the DLNA funds to the Blended Resource Fund (Fund 15) and blend them with other funds in Fund 15.

N.J.A.C. 6A:10-8.1(a)1 requires all local, State and Federal funds to be considered as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the current year of the school and district two-year reports on instructional priorities. Once DLNA funds are transferred to Fund 15, they are considered general funds to be spent in Fund 15 and are considered fully spent in Fund 20. Therefore, the actual expenditures recorded on the "Contribution to Whole School Reform" line will always equal the budgeted amount on that line. The "budgeted" amount in this line is the total DLNA resources contributed to WSR schools, which is obtained from the district's 2006-07 final approved detailed appropriations section of the budget line 13891 adjusted for any Board approved transfers. **The "actual" amount in this line will always equal the budgeted contribution to WSR.** There will be no DLNA carryover related to whole school reform schools in Fund 20 at June 30, 2007, since any unspent DLNA contribution to WSR from 2006-07 transferred to Fund 15 at June 30, 2007 will be considered general fund surplus.

The format of the schedule was designed to provide an audit trail of the actual versus budgeted expenditures as well as calculate deferred revenue. This schedule is to be prepared on the budgetary basis where "actual" equals the 2006-07 expenditures plus encumbrances at June 30, 2007. These encumbrances must be liquidated within 60 to 90 days. The "budgeted" amounts are to be taken from the district's 2006-07 final approved budget on lines 13710 – 13900 of the detailed appropriations section of the budget adjusted for any approved carryovers and/or transfers.

At the bottom of the schedule is a calculation of the Available & Unbudgeted funds as of June 30, 2007 (Line 3) and the 2006-07 Actual Carryover (Line 5). There was no allocation of DLNA for 2006-07.

Line (1) represents the actual audited DLNA carryover as of June 30, 2006.

Line (2) represents the amount the district included in its DLNA budget for the fiscal year 2006-07 including the contributions to WSR. Abbott districts receiving Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid in 2006-07 were required to revise their 2006-07 budgeted carryover amount to equal the actual June 30, 2006 carryover. Line 2 should agree to the total budgeted expenditures reported in the first column of this schedule.

Line (3) represents the difference between Line (1) and Line (2). If a district did not revise its budgeted original allocation (if different) or revise its budgeted June 30, 2006 carryover, then this amount is considered Available and Unbudgeted as of June 30, 2007. Line (3) is then considered a component of the Actual Carryover – DLNA as of June 30, 2007.

Line (4) represents 2006-07 budgeted DLNA (Line 2) less the "total actual" for the program. This amount represents the unexpended/unencumbered DLNA and should agree to the total variance in the third column of this schedule.

Line (5) is the total Actual Carryover – DLNA as of June 30, 2007 and is the sum of Lines (3) and (4).

Line (6) can be found in the district's 2007-08 final approved budget on line 423 of the advertised revenue section. All carryover must be expended in subsequent years for allowable program expenditures.

The Actual Distance Learning Network Aid Carryover, if any, is the amount of unused DLNA carryover from the previous year, since there were no DLNA allocations for 2006-07.

Please note that on the sample schedule every possible account is listed. This is an optional format. Districts may list only those accounts that are applicable. **In addition, the line (#) references on the sample schedules should not appear on the actual schedules in the CAFR.**

INSERT EXHIBIT E-4

**Special Revenue Fund
Distance Learning Network Aid Schedule of Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

To display the E-4 illustration, click on the following link:

[DLNA](#)

Selecting print will produce page 73 of the Abbott Addendum.

Refer to the DOE website for sample financial statements:

<http://www.nj.gov/njded/finance/fp/cafr/>

PREPARING THE ADDITIONAL EOA – INCREMENTAL COST OF OPENING A NEW SCHOOL FACILITY - BUDGETARY COMPARISON SCHEDULE - (EXHIBIT E-6 series)

The *Additional EOA - Incremental Cost of Opening a New School Facility - Budgetary Comparison Schedule* (Exhibit E-6 series) is prepared from the district records and is the responsibility of the district. A separate schedule is required for each school that Additional EOA–Incremental Cost of Opening a New School Facility funding was awarded to fund in 2006-07 and a district-wide summary is also required. This schedule is to be included in the Other Supplementary Information section of the CAFR (see OUTLINE OF CAFR included in this document).

Additional EOA - Incremental Cost of Opening a New School Facility was awarded to certain Abbott districts. These funds were to be used to pay for new incremental costs directly related to the opening of a new school or an addition to an existing school that results in the reduction of class size. These costs include the hiring of new teachers, other professional staff and non-professional staff, as well as other non-salaried incremental costs and were required to be recorded in the special revenue fund. Awards were made as part of the budget approval and are included in the budget approval/award letters. The funds were required to be recorded in the special revenue fund and spent in accordance with the “New Facility Spread Sheet” included with the budget approval/award letter.

Abbott districts were required to record these funds in the special revenue fund as state revenue using The Uniform Minimum Chart of Accounts for New Jersey Public Schools. Unspent and unauthorized spending of the Additional EOA - Incremental Cost of Opening a New School Facility funding at June 30, 2007 is required to be returned to the Department and should be recorded as an accounts payable in the special revenue fund at June 30, 2007. Abbott district auditors are required to audit 100% of the actual expenditures charged against the award to ensure that the funds were spent in accordance with the approved budget. The *Additional EOA Incremental - Cost of Opening a New School Facility - Budgetary Comparison Schedule* series of schedules is required to be included as Exhibit E-6 series in the June 30, 2007 CAFR. This award is required to be included on the State Schedule of Expenditures of Financial Assistance and all appropriate schedules in the CAFR.

The “Adjusted Award Budget” amounts are obtained from the “New Facility Spread Sheet” accompanying the original budget approval/award letter.

The “Adjusted Award Actual” amounts represent the actual full-time equivalents (FTE) of personnel hired with these funds, the actual average cost of each FTE hired with these funds and the total costs of the personnel hired or supplies and other items purchased with these funds.

The “Variance – Favorable(Unfavorable)” columns are calculated as adjusted award budget new FTEs minus adjusted award actual new FTE; adjusted award budget unit cost new minus adjusted award actual average unit cost new; and, adjusted award budget total cost new minus adjusted award actual total cost new. The total variance represents the amount of funds due back to the department at June 30, 2007.

A crosswalk and sample presentation of this series of schedules may be printed by selecting the link on the following page.

INSERT EXHIBIT E-6 series

Special Revenue Fund
Additional EOA – Incremental Cost of Opening a New School Facility - Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2007

To display the E-6 illustration, click on the following link:

[**Additional EOA – Incremental Cost of Opening a New School Facility**](#)

Selecting print entire workbook will produce pages 75, 75A, 75B, 75C, and 75D of the Abbott Addendum.

SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (EXHIBIT K-3)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (EXHIBIT K-4)

***NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
(EXHIBIT K-5)***

The Single Audit schedules are prepared using the budgetary basis of accounting. Amounts should agree with the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1) and the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) described in a previous section of this Addendum.

The total budgetary expenditure amounts for the federal programs blended in Fund 15 are calculated in the Encumbrances Worksheet (see previous section) and included on *Schedule A, Schedule of Expenditures of Federal Awards* (Exhibit K-3).

The *Schedule of Expenditures of State Financial Assistance* (Exhibit K-4) will include state aid available only to Abbott districts, such as Education Opportunity Aid (EOA), Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid in the general fund section and Preschool Expansion Aid (PSEA) and Additional EOA – Incremental Cost of Opening a New School Facility in the special revenue fund section. The special revenue fund budgetary expenditures reported on *Schedule B, Schedule of Expenditures of State Financial Assistance* are obtained from the applicable district-wide restricted aid schedule (Exhibits E-2, E-3, E-4, or E-6). The cash received for PSEA is reported in the special revenue fund with a walkover to ECPA. See the sample Schedule B that follows this section.

Economic Development Authority/School Construction Corporation (EDA/SCC) grants for facilities construction should be included in this section if the district owns the real estate at June 30 on which improvements have been made or are in progress. Although the EDA/SCC constructs the facilities, the improvements, additions, or buildings on district land are considered non-cash revenue to the district.

NOTE 3, RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (EXHIBIT K-5)

Note 3, Relationship to Basic Financial Statements, included in the *Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibit K-5), for Abbott districts will include the contribution of restricted federal and state resources to WSR, which are recorded as operating transfers from the special revenue fund to the general fund. The amounts to be included in the general fund line are obtained from the Fund 15 district-wide summary of the *Blended Resource Fund Schedule of Expenditures Allocated by Resource Type - Actual* (Exhibit D-2) and are labeled Other State Resources and Total Restricted Federal Resources, as applicable. State aids recorded as general fund revenue in Fund 10 are added to other state resources to determine the state expenditures in the general fund. These amounts must be included in the General Fund line of this footnote.

NOTE 7, SCHOOLWIDE PROGRAM FUNDS (EXHIBIT K-5)

The OMB A-133 Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs. A sample footnote, *Note 7, Schoolwide Program Fund*, included in the *Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibit K-5), should detail, by program, the amounts included in the schoolwide programs in the district. These amounts are reported on the budgetary basis as calculated in the Encumbrance worksheet (Exhibit ENC-W/S).

INSERT Exhibit K-3, Schedule A

Schedule of Expenditure of Federal Awards

To display the K-3 illustration, click on the following link:

[Single Audit](#)

Select the tab entitled "Schedule A".

Selecting print will produce page 77 of the Abbott Addendum.

INSERT EXHIBIT K-4, Schedule B

**Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2007**

To display the K-4 illustration, click on the following link:

[Single Audit](#)

Select the tab entitled "Schedule B".

Selecting print will produce page 78 of the Abbott Addendum.

Exhibit K-5**ANYTOWN SCHOOL DISTRICT****Notes to Schedules of Expenditures of Awards and Financial Assistance****June 30, 2007****3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules can be reconciled to the amounts reported in the Board's basic financial statements. The basic financial statements present the General Fund and the Special Revenue Fund on a GAAP basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See the Note to the Required Supplementary Information/ Budget to GAAP Reconciliation (Exhibit C-3) for a reconciliation to the GAAP basis of accounting for the General Fund and for the Special Revenue Fund.

Federal and state award revenues, including those contributed to WSR, are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ 1,557,045	\$ 13,177,763	\$ 14,734,808
Special revenue fund	236,000	5,130,746	5,366,746
Debt service fund	-0-	195,286	195,286
Enterprise fund	549,391	37,173	586,564
Total financial award revenues	<u>\$ 2,342,436</u>	<u>\$ 18,540,968</u>	<u>\$ 20,883,404</u>

7. Schoolwide Program Funds

Schoolwide programs are not separate Federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the district.

Program	Total
Title I, Part A: <i>Improving Basic Programs Operated by Local Education Agencies</i>	\$ 615,764
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	497,682
Title II, Part D: <i>Enhancing Education Through Technology</i>	112,071
Title IV Part A: <i>Safe and Drug-Free Schools and Communities</i>	150,319
Title V Part A: <i>Innovative Programs</i>	170,987
Total	<u>\$ 1,546,823</u>

EXCESS SURPLUS CALCULATION AND INSTRUCTIONS FOR ABBOTT DISTRICTS

This section is included in this Addendum to provide detailed instructions on preparing the excess surplus calculations in Abbott districts.

P.L. 2007, c.62 (A1) impacts the excess surplus calculation at June 30, 2007. Districts other than county vocational districts must complete the Excess surplus calculation using the 2 percent calculation, with the maximum unreserved undesignated general fund balance being the greater of 2% or \$250,000. The illustration in this Addendum has been revised to reflect this change.

Excess surplus is a budget related calculation using the General Fund expenditures and fund balance of the budgetary comparisons statements/schedules. These amounts are reported on the modified accrual basis with the exception of a state legally mandated revenue recognition policy that is in conflict with GASB Statement No. 33 for the 2006-07 budget year. The amounts used in the calculation must be taken from the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1).

Sample Excess Surplus Calculation for Anytown School District

Section 1

Calculation A: 2% Excess Surplus:

All Abbott districts are required to complete this calculation using 2% on line A10.

2006-07 Total General Fund Expenditures Reported on Exhibit C-1	\$ _____	(A)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$ _____	(A1)
2006-07 Adjusted General Fund & Other State Expenditures [(A)-(A1)]	\$ _____	(A2)
Decreased by:		
On-Behalf TPAF Pension & Social Security Assets Acquired Under Capital Leases:	\$ _____	(A3)
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ _____	(A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired under Capital Leases:		
Assets Acquired Under Capital Leases in Fund 15 reported on Exhibit C-1a	\$ _____	(A5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	_____ %	(A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ _____	(A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	\$ _____	(A8)
2006-07 General Fund Expenditures [(A2)-(A3)-(A8)]	\$ _____	(A9)
2% of Adjusted 2006-07 General Fund Expenditures [(A9) times .02]	\$ _____	(A10)
Enter Greater of (A10) or <u>\$250,000</u>	\$ _____	(A11)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unreserved/Undesignated Fund Balance [(A11)+(K)]	\$ _____	(M)

- | Line | <u>Instructions for Calculation</u> |
|-------------|---|
| (A) | The total combined general fund expenditures (Funds 11-13 plus Fund 15) reported in the actual column of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1). Note this is a balance based on budgetary amounts. |
| (A1) | The total Fund 15 expenditures allocated to restricted federal resources reported on the district-wide Schedule of Expenditures Allocated by Resource Type – Actual for the Fiscal Year Ended June 30, 2007 (Exhibit D-2). |
| (A2) | Subtract line (A1) from line (A). This results in the total amount of general fund expenditures being used to calculate the maximum unreserved/undesignated fund balance for an Abbott district. |
| (A3) | The sum of the non-budgeted TPAF pension on-behalf payment plus the non-budgeted TPAF social security reimbursement reported in the State Sources section of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1). |
| (A4) | The total Fund 10 assets acquired under capital leases amount is obtained from the Actual Operating Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a). |
| (A5) | The Fund 15 assets acquired under capital leases amount is obtained from the Actual Blended Resource Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a). |
| (A6) | The percentage of the overall district-wide Fund 15 expenditures, which were funded with general fund contribution or state resources. This percentage is obtained from the line entitled “Combined General Fund Contribution & State Resources” on the district-wide <i>Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type – Actual</i> (Exhibit D-2). |
| (A7) | The general fund and state resources portion of Fund 15 assets acquired under capital leases and is determined by multiplying the total Fund 15 assets acquired under capital leases reported on line (A5), by the combined general fund contribution and state resources percentage reported on line (A6). |
| (A8) | The total assets acquired under capital leases with general fund contribution and state resources. Line (A8) is the sum of lines (A4) and (A7). |
| (A9) | The total adjusted expenditures upon which the maximum unreserved/undesignated fund balance is calculated; the result of line (A2) minus line (A3) minus line (A8). |
| (A10) | This line represents 2 percent of general fund expenditures and is calculated by multiplying line (A9) by 2 percent. |
| (A11) | The maximum allowable amount of unreserved/undesignated fund balance, prior to allowable adjustments. |
| (K) | This line is calculated in Section 3 of the excess surplus calculations. |
| (M) | The total maximum allowable unreserved/undesignated fund balance. This amount is calculated here as line (A11) plus line (K). |

SECTION 2:

Total General Fund – Fund Balances at June 30, 2007	\$ _____	(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 2 Instructions:Line

- (C) The total general fund balance at June 30, 2007 (combined Fund 10 and Fund 15) per the *Budgetary Comparison Schedule* (Exhibit C-1).
- (C1) The total general fund balance reserved for encumbrances at June 30, 2007 (combined Fund 10 plus Fund 15).
- (C2) The amount of general fund balance (combined Fund 10 and Fund 15) legally restricted for subsequent year’s expenditures. This amount is to be appropriated in the 2007-08 general fund budget.
- (C3) The June 30, 2006 excess surplus amount. This amount must be included in the Audit Summary Worksheet Line 10025, and appropriated in the 2007-08 general fund budget.
- (C4) Other reserved fund balances. (Such as Adult Ed. Programs, maintenance reserve, etc.) See required detailed statement below.
- (C5) The unreserved fund balance designated for subsequent year’s expenditures. This amount is to be appropriated in the 2007-08 general fund budget.
- (U) The total unreserved undesignated fund balance at June 30, 2007. This amount is determined by subtracting lines (C1), (C2), (C3), (C4), (C5) from line (C). This is the amount that will be compared to the maximum unreserved/undesignated fund balance reported on line (M) to determine whether an excess surplus situation exists at June 30, 2007.

SECTION 3:

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

Recapitulation of Excess Surplus as of June 30, 2007

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures ** \$_____ (C3)

Reserved Excess Surplus *** [(E)] \$_____ (E)

Total [(C3) + (E)] \$ _____ (D)
=====

* This adjustment line (line (K) as detailed below) is to be utilized for Impact Aid, Sale, 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 for 2006-07 received in July 2007 only to the extent not budgeted in 2006-07.

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, 2006 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025. Districts that received Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) should not have an amount on this line unless the sum of the June 30, 2006 unbudgeted DEPA, ECPA and DLNA carryovers plus excess surplus exceeded the preliminary 2006-07 DEOA award. Only districts that did not receive DEOA in 2006-07 or whose 2006-07 preliminary DEOA award was less than the sum of the June 30, 2006 unbudgeted DEPA, ECPA and DLNA carryovers plus excess surplus may have an amount on this line at June 30, 2007. If the district received DEOA in 2006-07, the June 30, 2006 excess surplus was required to be budgeted in 2006-07 to reduce DEOA.

*** Amount must agree with the June 30, 2007 CAFR and Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant to the Commissioner for Finance prior to September 30.

(N-1) Capital reserve at June 30, 2007.

(N-2) Maintenance reserve minimum required under EFCFA.

(N-3) Tuition reserve at June 30, 2007.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Capital outlay for a school district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve (N-1)	\$ _____
Maintenance reserve (N-2)	\$ _____
Tuition reserve (N-3)	\$ _____

Other Reserved Fund Balance not noted above ***** \$ _____

Total Other Reserved Fund Balance \$ _____ **(C4)**

SECTION 3 Instructions:

Line

(E) This line is calculated as line (U) minus line (M) and represents the excess surplus at June 30, 2007, which will be reported in the CAFR and on Audit Summary Worksheet Line 10024. If the result of subtracting line (M) from line (U) is negative, then zero should be entered on this line.

Recapitulation of Excess Surplus as of June 30, 2007

Line

(C3) Line (C3) represents excess surplus generated at June 30, 2006 and should be included on the 2006-07 Audit Summary Worksheet Line 10025. This amount was to be appropriated in the 2007-08 general fund budget unless the district received Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) in 2006-07. Districts that received Additional Education Opportunity Aid referred to as Discretionary Education Opportunity Aid (DEOA) in 2006-07 should not have an amount on this line unless the sum of the June 30, 2006 unbudgeted DEPA, ECPA and DLNA carryovers plus excess surplus exceeded the preliminary award. This is the same as line (C3) included in Section 2 above. Only districts that did not receive DEOA in 2006-07 would have an amount on this line at June 30, 2007. If the district received DEOA in 2006-07, the June 30, 2006 excess surplus was required to be budgeted in 2006-07.

(E) This line represents the excess surplus generated at June 30, 2007 and must agree with the June 30, 2007 CAFR and be reported in the 2006-07 Audit Summary Worksheet Line 10024.

(D) Line (D) represents the sum of the June 30, 2006 and June 30, 2007 excess surplus (lines (C3) + (E)).

Detail of Allowable Adjustments**Line**

- (H) Line H represents the amount of Impact Aid received by the district during 2006-07. This amount is obtained from the line entitled "Federal Sources: Impact Aid" on the *Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* (Exhibit C-1a). This does not include Temporary Emergency Impact Aid for Displaced Students.
- (I) Line I represents the proceeds realized from the sale-lease back of textbooks and non-consumable instructional materials during the current year, and is excluded from the calculation of excess undesignated general fund balance. See The Audit Program Section II-10.8 for a more detailed discussion of this adjustment.
- (J1) Line J1 represents the extraordinary aid received by the district in 2006-07 and excluded from the excess surplus calculation in the current year. This amount can **only** be excluded from the excess surplus calculation if the district can clearly document that they did not budget this additional aid during the 2006-07 fiscal year for which they filed an application. See The Audit Program Section II-10.4 for a more detailed discussion of this adjustment.
- (J2) This line is used for Additional Nonpublic Transportation Aid received in July 2007, but recorded in 2006-07. This amount is only excluded from the excess surplus calculation if the district can document that they did not budget the additional aid during 2006-07.
- (K) Line (K) is the sum of lines (H), (I), (J1), and (J2) and represents the total allowable adjustment to increase the maximum unreserved/undesignated fund balance.

TPAF AND FICA REIMBURSEMENT FOR WSR SCHOOLS

N.J.S.A. 18A:66-90 requires each public employer (school district) to reimburse the State for the amount of TPAF and social security contributions paid by the State on behalf of the district for contractual teacher salaries charged to federally funded programs. This reimbursement, together with supporting documentation prescribed by the Director of Pensions, must be remitted to the Department of Education within 90 days after the close of the fiscal year.

The implementation of WSR, and the blending of federal, state and local funds in the school-based budget recorded in Fund 15, necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources. This calculation is necessary to enable the district to remit the correct amount of funds to the Department of Education. This calculation pertains to schools implementing school-based budgeting for the year ended June 30, 2007 and is detailed below and illustrated at the Appendix A-1 series of this Addendum.

Procedures to Calculate TPAF and Employer Share of Social Security & Medicare Charged to Federal Programs in a WSR School to be Remitted to the Department of Education in Compliance with N.J.S.A. 18A:66-90

The following steps one through four need to be performed for each school:

- 1.) Perform a payroll sort from the district's payroll system, by school, detailing the teachers at each school and each teacher's contracted salaries paid during the year. (This amount is to be contracted base wages only and should not include stipends or extra-curricular activity payments.) This amount should be broken out between salaries paid from July 1, 2006 through December 31, 2006 and salaries paid from January 1, 2007 through June 30, 2007. Salaries paid for the calendar year ended December 31, 2006 will also be

needed to calculate the social security and Medicare portions of FICA salaries over and under \$94,200 for the 2006 calendar year.

- 2.) The total fiscal year contractual salaries must then be broken down by calendar year to determine the amount paid which is less than or equal to \$94,200 for the 2006 calendar year; the amount which exceeds \$94,200 for the 2006 calendar year; the amount paid which is less than or equal to \$97,500 for the 2007 calendar year; and the amount which exceeds \$97,500 for the 2007 calendar year. This information is necessary to calculate the social security and Medicare portions of FICA. This is most easily accomplished by sorting the information into two columns for each calendar year and totaling the columns.
- 3.) The amounts determined in 2.) above need to be accumulated and multiplied by the Title 1 percentage calculated on the current year *Schedule of Expenditures Allocated by Resource Type* to determine the Title 1 proportionate share of salaries. The amounts determined in 2.) above then need to be accumulated and multiplied by the “all other federal programs” rate to determine the all other federal programs proportionate share of salaries. The all other federal programs rate is the sum of the percentages calculated on the current year *Schedule of Expenditures Allocated by Resource Type* for all federal programs excluding Title 1.
- 4.) The reimbursement amounts will also need to be calculated at the school level to enable the reimbursements to be recorded in the individual school’s Fund 15. The social security, Medicare and TPAF rates are then applied to the salary amounts determined in steps two and three above to calculate the social security, Medicare and TPAF reimbursements due to the Department of Education for each WSR school.
- 5.) The federal program salaries calculated for each school in steps one through five will then be entered onto the worksheet entitled *WSR TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90* in the applicable column and should be included in the salary amounts reported on the reimbursement form entitled, *Reimbursement to State of New Jersey – N.J.S.A. 18A:66-90*. The district should retain the worksheet and the individual school calculations as supporting documentation of the WSR salaries included in the amounts reported on the reimbursement form. The district’s public school accountant will need to verify these calculations prior to signing off on the reimbursement form.

PROCEDURES FOR AUDITING FUND 15 EXPENDITURES

Introduction/Overview of Fund 15/Schoolwide Program Status

As a result of the May 21, 1998 Abbott v. Burke Supreme Court decision, Abbott districts were required to submit school-based budgets for those schools implementing Whole School Reform (WSR). This Addendum addresses audit and reporting issues specific to Abbott districts implementing WSR and preparing school-based budgets.

The requirement for school-based budgeting necessitated the creation of a Blended Resource Fund (Fund 15) for the school-level data. Due to this change, the general fund in an Abbott district includes Funds 11 –13, which collectively represent the operating fund of the district and a Fund 15 for each WSR school. Fund 15 is school-level accounting while Funds 11 – 13 are district-level data.

Fund 15 expenditures are funded by various revenue sources and cannot be specifically identified to a particular revenue source. The Elementary and Secondary Education Act (ESEA), as reauthorized, by The No Child Left Behind Act of 2001 (NCLB), Title I, Part A, permits combining/blending of federal funds in a school operating a Title I Schoolwide program (NCLB ¶1114). If a school is not operating a Title 1 schoolwide program but is operating a Title 1, Targeted Assistance Program, federal funds **cannot** be combined and must be used only for programs that provide services to eligible children identified as having the greatest need for special assistance (NCLB ¶1115). In New Jersey, the blending of state and local resources with federal resources in a schoolwide program in Abbott districts is permitted by *N.J.A.C. 6A:10-8.1(a)1*, which requires all local, State and Federal funds to be considered as revenue available for the general fund unless expressly restricted by Federal law, or written contract, for the purpose of implementing the school three-year operational plans.

It is important that auditors are cognizant of the federal laws permitting blending of federal resources. An overview of the basics of a schoolwide program is presented as part of this document in the section entitled “Schoolwide Programs.” Refer to that section also for links to federal and state web sites for additional information on schoolwide programs including the funds that may be blended in a schoolwide program.

Only eligible Title I schools receiving Title I funds may operate schoolwide programs.

Abbott schools, which do not have approved Title 1 schoolwide program status, are not permitted to blend federal funds, but are required to blend certain state and local funds as permitted by *N.J.A.C. 6A:10A-8.1(a)1*. The allocations and reporting requirements detailed in this document should be applied to the blended state and local resources in Fund 15 in schools that do not have schoolwide status in the same manner as they are applied to the blended federal, state and local resources in schools that do have schoolwide status. New Jersey Department of Education requires all WSR schools to record school-based budget expenditures in Fund 15. Funds are viewed as combined at the time they are expended from a particular program account for a schoolwide program expense.

AUDITOR TESTING REQUIREMENTS

OMB A-133 Compliance & Reporting:

Abbott district auditors should review the OMB A-133 Compliance Supplement for specific audit requirements of federal programs as well as audit requirements applicable to schoolwide programs and OMB A-87 for allowable expenses. When auditing federal programs, auditors are strongly advised to use the *OMB 133 Compliance Supplement* (Compliance Supplement) in Appendix B of Circular A-133. USOMB Circular A-133 is available on the Internet at <http://www.omb.gov> (click on Circulars). At that site, under A-133 select March 2007 Compliance Supplement, and at the table of contents, select the appropriate department (e.g., Dept of Agriculture, Dept. of Education, Dept. of Health and Human Services). A list of changes for the *2007 Compliance Supplement* can be accessed at Appendix 5 of the document. The Compliance Supplement is available on the website above and is for sale from the GPO website <http://bookstore.gpo.gov/>. The stock number for this document is 041-001-00643-5. A schoolwide program is not a separate federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in schoolwide programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. Since schoolwide programs are not separate federal programs as defined in OMB Circular A-133, amounts used in schoolwide programs should be included in the total expenditures of the program contributing the funds when determining Type A Programs and in the *Schedule of Expenditure of Federal Awards*. The March 2007 OMB Compliance Supplement encourages showing in a footnote, by program, the amounts used in schoolwide programs.

The *Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4, respectively), as well as the expenditures reported on the *DEPA, ECPA, DLNA and Additional EOA – Incremental Cost of Opening a New School Facility Restricted Aid Schedules* (Exhibits E-2 through E-6), and the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) include the total expenditures of the program funds for all schools in the district on the budgetary basis and therefore include encumbrances as expenditures. Expenditures incurred in Fund 15 are recorded on the GAAP basis, similar to the General Fund. In order to include the WSR expenditures in these schedules, the GAAP expenditures must be adjusted for encumbrances to determine the budgetary basis of these expenditures.

Fund 15 - GAAP Basis Expenditure Testing

The district is required to prepare a *Schedule of Blended Expenditures – Budget and Actual* (Exhibit D-3) for each WSR school. This schedule accounts for all Fund 15 GAAP basis expenditures for a particular school. The auditor should obtain the detailed general ledger from which these statements were prepared, ensure that the amounts included in the schedules agree with the general ledger and then select specific expenditures for testing from the general ledger. Each expenditure tested is paid from the combined/blended funds, and therefore is paid for in part by each funding source combined/blended in Fund 15 and cannot be specifically identified to a particular funding source. Each expenditure selected for testing must be analyzed to determine whether it is consistent with the third year of the three-year operational plan for that school. The auditor must perform sufficient detailed expenditure testing to ensure that the GAAP expenditures recorded in Fund 15 are valid expenditures consistent with the school's two-year report on instructional priorities. This procedure should be performed to test expenditures in all WSR schools in the district.

Auditors' cash disbursement testing procedures should include reviewing disbursements to determine whether penalties or interest costs were incurred and whether the district took full advantage of allowable discounts for prompt payment. Districts should not be taking advantage of discounts that are in violation of the Public Schools Contracts Law, N.J.S.A. 18A or *N.J.A.C. 6A:23*. Paying penalty and interest costs or the failure to take full advantage of allowable discounts for prompt payment are violations of *N.J.A.C. 6A:10A-7.1(c)12* and *N.J.A.C. 6A:10-2.1(d)12* for all Abbott districts and noted instances, including the amounts noted during

testing, must be reported in the Auditor's Management Report. Auditors are directed to test for penalties, interest and allowable prompt payment discounts during their review of the districts' internal controls and the application of standard testing methods, as well as during compliance testing and the performance of single audit procedures. That is, each general fund (including Fund 15) or special revenue fund expenditure transaction tested for those procedures must also be tested for penalties, interest and allowable discounts. Questions have been added to the Audit Questionnaire regarding interest, penalties and forfeited discounts and the dollar amount of such items noted during audit testing.

Fund 15 – Blended Resources Testing:

A school **must** be operating an approved Title 1 schoolwide program in order to blend federal funds. If a school implementing school-based budgeting does not have approved Title 1 schoolwide status, they can only blend state and local funds in their school-based budgets.

The auditor should review the district's approved FY 2007 NCLB Consolidated Application (Application) to determine which schools within the district have Title 1 approved schoolwide program status. Only schools with approved schoolwide status may blend federal funds with state and local funds. The auditor should ensure the amounts from each federal program blended in the individual school-based budgets agree with the approved Application. This procedure should be performed to test revenues in all WSR schools in the district.

Once the auditor has determined that the resources transferred to Fund 15 agree with the approved Application; that the expenditures reported in Fund 15 are valid expenditures consistent with the current year of the school's two-year report on instructional priorities and recorded any adjustments necessary to reflect the effect of errors noted during testing, the auditor should test the district's calculations of allocated GAAP expenditures and allocated GAAP surplus/carryover to ensure that they are calculated in accordance with the instructions provided by the department. If the auditor recorded any Fund 15 adjustments, the district's allocated GAAP expenditures and GAAP surplus/carryover should be recalculated. Instructions on how to perform this allocation are part of this document in the section entitled "Preparing the Blended Resource Fund 15 – Schedule of Expenditures Allocated by Resource Type – Actual (Exhibit D-2 series)."

Fund 15 – Budgetary Basis Encumbrance Testing

Expenditures incurred in Fund 15 are recorded on the GAAP basis. Expenditures included in the *DEPA, ECPA, DLNA and Additional EOA – Incremental Cost of Opening a New School Facility Restricted Aid Schedules* (Exhibits E-2 through E-6), the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-1) and the *Schedules of Expenditures of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4) are reported on the budgetary basis and therefore include encumbrances as expenditures. The amounts calculated on the *Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2) are on the GAAP basis and will need to be adjusted for any encumbrances when including those expenditures in these schedules.

The auditor is required to apply the procedures in the September 16, 2003 Encumbrance HOTLINE issued by former Assistant Commissioner Rosenberg to the encumbrances recorded at each school to ensure that the purchase orders encumbered are valid encumbrances consistent with the individual school's two-year report on instructional priorities.

On April 5, 2007, Assistant Commissioner Attwood issued a memo regarding year-end spending and encumbrances to all Abbott districts requesting additional funds above the greater of parity or 3% of state aid for the 2007-08 budget highlighting that pursuant to N.J.A.C. 6A:10-2.8(c) and to ensure appropriate and effective use of state funds, the Department will have fiscal oversight over pre-budget year (2006-07) and budget year (2007-08) spending for school districts that request additional funds including:

1. The review and approval of all purchase orders

2. The review and approval of all new personnel actions
 - a. New hires
 - b. Filling vacancies
 - c. Replacing terminated employees
3. Other areas as directed by the department.

The department immediately began visiting the districts to review open purchase orders to determine whether the purchase orders were for required goods and services that would benefit the current school year. Independent auditors should review district spending from April 6, 2007 through the end of the school year to determine whether the spending was necessary for essential goods and services that were required for and benefited the 2006-07 school year. Independent auditors should review purchase orders issued from April 6, 2007 through the end of the school year to determine whether the directive in the April 5, 2007 letter was followed and that all purchase orders were approved by the Department. Instances of non-compliance with the April 5, 2007 letter are required to be documented in a comment in the Auditor's Management Report. The comment is required to include the dollar percentage tested, the percentage of purchase orders tested between April 5, 2007 and June 30, 2007, the number of instances of non-compliance and the total dollar value of the purchase orders processed in violation of the directives in the April 5, 2007 memo.

Once the auditor has determined that the encumbrances for each school are valid, and recorded any adjustments necessary to reflect the effect of errors noted during testing, the auditor is required to test the district's calculations of allocated encumbrances to ensure that they are calculated in accordance with the instructions provided by the department. If the auditor recorded any encumbrance adjustments, the district's encumbrances should be reallocated. Instructions on how to perform this allocation are part of this document in the section entitled "Special Revenue Fund Combining Schedule of Program Revenues and Expenditures–Budgetary Basis (Exhibit E-1)."

A sample encumbrance calculation (Exhibit D-2 Worksheet) has been included in this document to illustrate the calculations and the reporting of the amounts on Exhibit D-2. This worksheet should not be included in the CAFR.

The sample encumbrance calculation includes an allocation of encumbrances to the Combined General Fund Contribution and State Resources. This was done to illustrate how the total encumbrances are allocated based on the "% of Total Resources." Encumbrances are not reported as expenditures in Fund 15. Encumbrances are recorded as "Fund Balance Reserved for Encumbrances" in the Fund 15 column of the Combining Balance Sheet (Exhibit D-1). The Combining Balance Sheet is required to be included in the CAFR.

Once the auditor has gained assurance that the Fund 15 expenditures and encumbrances are valid expenditures and encumbrances consistent with the approved two-year report on instructional priorities and the allocations of the total Fund 15 GAAP basis expenditures and encumbrances are correct, the auditor must ensure the correct amount of WSR budgetary expenditures has been included in the *Schedules of Federal Awards and State Financial Assistance* (Exhibits K-3 and K-4) for each restricted federal or state program, the *Special Revenue Fund – Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* (Exhibit E-2) and the *DEPA, ECPA and DLNA Restricted Aid Schedules* (Exhibits E-2 through E-4). The WSR expenditures included on the *Schedules of Federal Awards and State Financial Assistance* for each restricted federal or state aid the *Special Revenue Fund Combining Schedule of Program Revenues and Expenditures – Budgetary Basis* and the *DEPA, ECPA and DLNA Restricted Aid Schedules* should be the total of the GAAP basis expenditures allocated to the particular restricted aid plus the total current year encumbrances allocated to the particular restricted aid less the total prior year encumbrances allocated to the particular restricted state aid at all WSR schools in the district.

***SPECIAL EDUCATION MEDICAID INITIATIVE (SEMI) PROGRAM AND MEDICAID
ADMINISTRATIVE CLAIMING***

The SEMI program is a federal program, which allows the State of New Jersey and its LEAs to bill for certain special education services such as physical therapy, occupational therapy, speech therapy and specialized transportation through the SEMI system. SEMI is limited to services provided in education settings under the auspices of the Commissioner of Education. The State of New Jersey, Department of the Treasury administers two separate and distinct school-based Medicaid reimbursement programs: Direct Service – Special Education Medicaid Initiative (SEMI) and Medicaid Administrative Claiming (MAC). The Medicaid Administrative Claiming initiative allows for the recovery of costs associated with a wide range of activities eligible for administrative claiming.

The Public Consulting Group (PCG) is the vendor that the Department of Treasury selected to submit billing services on behalf of districts. Effective October 1, 2005, districts began documenting services via PCG's Easy TRAC system. Easy TRAC is a web-based application used to document certain related services (e.g., occupational therapy, speech therapy, and counseling) and evaluations, when delivered by Medicaid qualified practitioners. See Chapter 5 of the SEMI Handbook, "Service Documentation Requirements" for the documentation required when using Easy TRAC. The SEMI Handbook outlines the procedures and required documentation and is available on the NJDOE website (Special Education/Information for Districts and Parents): <http://www.nj.gov/education/specialed/info/>. The contact at Public Consulting Group is Patrick Purcell (609-275-0250, ext.3953).

Since SEMI generates revenues for the State of New Jersey and its LEAs, auditors should perform the following detailed audit procedures to assess the districts' efforts in maximizing this resource:

- Auditors should verify that districts have enrolled in the SEMI program, and have appointed a SEMI coordinator or contact person. The auditor should also review the district's internal control procedures which identify and encourage the registration of pupils during the IEP conference, the initial evaluation, and the initial school registration. District procedures for obtaining parental consent for eligible pupils should also be reviewed by the auditor. Periodic reevaluation of registered pupils should be verified by the auditor.
- Since federal regulations provide a twelve-month window of time to file claims for service, auditors should verify that districts are submitting claims for reimbursement in a timely manner. These claims must be supported by detailed records of the services provided, along with parental consent.
- Auditors should give consideration to these programs when performing Single Audit procedures. Auditors should refer to the section of the federal OMB -133 Compliance Supplement for CFDA #93.778 for the Medicaid Assistance program requirements which are applicable to both the SEMI and the administrative claim programs.

The Auditor's Questionnaire 2006-07 included in The Audit Program, contains question #19 (reprinted below for convenience) pertaining to whether the district has maintained the required documentation for the SEMI and Medicaid Administrative Claiming programs.

19. Is the district appropriately assisting the State in maximizing federal participation pursuant to section 7 of P.L. 1968, c. 413 (C.30:4D-7) (SEMI Medicaid Program)? Consider the following:

- | | |
|---|--------------------|
| a. Has the district appointed a SEMI Coordinator or contact person? | Yes _____ No _____ |
| b. Has the district applied for participation in the SEMI program with the Department of Education, Medicaid and Public Consulting Group? | Yes _____ No _____ |
| c. Do the IEPs identify services which are eligible for reimbursement under the SEMI program? | Yes _____ No _____ |

- d. Does the district have a process for identifying new students eligible for the SEMI program?
Yes _____ No _____
- e. Does the district have a process for acquiring parental consent for students eligible for the SEMI program?
Yes _____ No _____
- f. Are parental consent forms available in the student file?
Yes _____ No _____
- g. Does the district have a process for documenting expenditures eligible for reimbursement under the SEMI program (refer to the SEMI Handbook)?
Yes _____ No _____
- h. Has the district been uploading service data in a timely manner?
Yes _____ No _____
- i. Are annual reviews held for the students in the SEMI program?
Yes _____ No _____
- j. Are IEPs available for claims made under the SEMI program?
Yes _____ No _____

Cost Savings Programs and Inefficient Non-instructional Expenditures

N.J.A.C. 6A:10A-7.1(c)8 and *N.J.A.C.* 6A:10-2.1(d)8 require Abbott districts to continue to participate in available cost-saving programs that include at least the Alliance for Competitive Energy Services (ACES), the Alliance for Competitive Telecommunications (ACT), the New Jersey School Boards Association Insurance Group (NJSBAIG) or a joint insurance fund, the New Jersey State Health Benefits Plan or continues to demonstrate savings equal to or greater than the savings that would have been generated by participating in these cost savings programs, and is current in submitting all claims for reimbursable costs under the Federal E-rate program for encouraging the use of the Internet. Auditors are required to determine whether the district is participating in the cost savings programs listed in *N.J.A.C.* 6A:10A-7.1(c)8 and *N.J.A.C.* 6A:10-2.1(d)8 during 2006-07 and document whether or not the district is participating in the cost savings programs in the Audit Questionnaire. If districts were not members of the cost savings programs listed in *N.J.A.C.* 6A:10A-7.1(c)8 and *N.J.A.C.* 6A:10-2.1(d)8 in 2006-07, auditors are required to determine why the district was not participating in the programs and document that on the Audit Questionnaire. Auditors are also required to determine whether the district is maximizing its participation in all areas of the Federal E-rate program.

Abbott districts were required by *N.J.A.C.* 6A:10A-7.1(c)16 and *N.J.A.C.* 6A:10-2.1(d)16, respectively, to refinance all outstanding debt where a three percent net present value savings threshold was achievable. Auditors are required to review the district’s debt outstanding during the year and determine whether all debt that could have resulted in a 3 percent net present value savings was refinanced.

The Audit Questionnaire 2006-07 included in The Audit Program, contains questions #34 through 42 (reprinted below for convenience) pertaining to the Abbott district’s participation in the cost savings programs listed in *N.J.A.C.* 6A:10A-7.1(c) and *N.J.A.C.* 6A:10-2.1(d).

34. Is the district current in submitting all claims for reimbursable costs under the Federal E-rate program (the Schools and Libraries Universal Support Mechanism) for encouraging the use of the internet?

Yes _____ No _____

35. Has the district applied for the maximum amount of Federal E-rate program funds in each of the following areas:

- (A) Telecommunications Services Yes _____ No _____
- (B) Internet Access Yes _____ No _____
- (C) Internet Connections Yes _____ No _____

36. Does the district have a current Position Control Roster as required by *N.J.A.C.* 6A:10A-7.1(c)9 and expanded by *N.J.A.C.* 6A:10-2.1(d)9?

Yes _____ No _____

37a. Are all the following required components included in the Position Control Roster as required by *N.J.A.C.* 6A:10A-7.1(c)9 and expanded by *N.J.A.C.* 6A:10-2.1(d)9?

- i. A permanent position tracking number Yes _____ No _____
- ii. A substitute control number for each location and amount for that location, which shall agree to the detail provided pursuant to N.J.A.C. 6A:10-2.5(f) Yes _____ No _____
- iii. An overtime control number for each location and amount for that location, which shall agree to the detail provided pursuant to N.J.A.C. 6A:10-2.5(f) Yes _____ No _____
- iv. An extra pay control number for each location and amount for that location, which shall agree to the detail provided in pursuant to N.J.A.C. 6A:10-2.5(f) Yes _____ No _____
- v. The status of the position (filled, vacant, abolished, etc.) Yes _____ No _____
- vi. An indication of whether the employee is retiring in the budget year including costs associated with the retirement such as contractual buyouts Yes _____ No _____
- vii. The certified position title Yes _____ No _____
- viii. The assignment position title Yes _____ No _____
- ix. Separately identified base salary, step, lane, longevity, guide, stipends by type, overtime and other extra compensation for the most recent audit year (actual), the pre-budget year (revised budget) and the budget year (projected) Yes _____ No _____
- x. The benefits paid by the school district, net of employee reimbursement, by type of benefit and FICA Yes _____ No _____
- xi. The expenditure account codes including the special revenue fund and the enterprise funds Yes _____ No _____
- xii. The position's full-time equivalent value Yes _____ No _____
- xiii. The date the position was filled Yes _____ No _____
- xiv. The date the position was originally created by the board. If the date the position was originally created by the board is not available, this item shall represent the date the person currently filling that position was approved by the board Yes _____ No _____
- xv. The building the position is assigned to Yes _____ No _____
- xvi. The employee name Yes _____ No _____
- xvii. The date of hire Yes _____ No _____

37b. Is the position control roster accurate, timely and complete? Yes _____ No _____

38. Did the district participate in the following cost savings programs during 2006-07?

a. Alliance for Competitive Energy Services (ACES) Yes _____ No _____
If no, why didn't the district participate? _____

b. Alliance for Competitive Telecommunications (ACT) Yes _____ No _____
If no, why didn't the district participate? _____

c. New Jersey School Boards Association Insurance Group or a joint insurance fund Yes _____ No _____
If no, why didn't the district participate? _____

d. New Jersey State Health Benefits Plan Yes _____ No _____
If no, why didn't the district participate? _____

39. Did the district incur late fees or penalties on the cash disbursement items tested during the review of internal controls and the application of standard testing methods, or during compliance testing and the performance of single audit procedures? Yes_____No_____

If yes, how much interest was paid by the district? _____

If yes, how much were the penalties paid by the district? _____

40. Is the district taking full advantage of allowable discounts for prompt payment? Yes_____No_____

If no, provide the amount of allowable discounts that were forfeited by the district on items tested during the audit. _____

41. Did the district refinance all outstanding debt where a three percent net present value savings threshold was achievable pursuant to *N.J.A.C. 6A:10A-7.1(c)16* and *N.J.A.C. 6A:10A-7.2(d)16*? Yes____No_____

42. Has the district provided evidence that it has maximized enrollment of eligible students in the Special Education Medicaid Initiative (SEMI) program? Yes____No_____

Encumbrance Testing

The procedures outlined in the Encumbrance HOTLINE issued by former Assistant Commissioner Rosenberg on September 16, 2003, available at the web site <http://www.nj.gov/njded/finance/fp/audit/0405/po.pdf> and included in The Audit Program should be applied to all encumbrances regardless of the source of funds in Abbott districts. This includes general fund district-wide encumbrances, school-level encumbrances, preschool program encumbrances, ECPA encumbrances, DEPA encumbrances, etc.

Auditors are required to include a schedule reconciling the encumbrances reported in the June 30, 2007 Board Secretary Report to the encumbrances reported as fund balance reserved for encumbrances in the CAFR and the excess surplus calculation. This schedule is to include the total of each category of encumbrances, the amount of encumbrances properly encumbered by category, and the amount of encumbrances that were cancelled through audit adjustments by category. The encumbrances reported in the June 30, 2007 Board Secretary Report less the total the amount of encumbrances that were cancelled through audit adjustments must agree to the amount reported as fund balance reserved for encumbrances in the CAFR and the excess surplus calculation. This schedule is to be submitted as part of the Auditor's Management Report immediately following the excess surplus calculation. See Appendix A-1 to print a sample Encumbrance Reconciliation Schedule.

INSERT Appendix A-1

Encumbrance Reconciliation Schedule

To display the Encumbrance Reconciliation Schedule Illustration, click on the following link:

[Encumbrance Schedule](#)

Selecting print will produce the Appendix A-1 page of the Abbott Addendum

INSERT Appendix B-1

WSR TPAF and FICA Calculation to Comply with *N.J.S.A. 18A:66-90*

To display the total WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled “summary”.

Selecting print will produce the Appendix B-1 page of the Abbott Addendum

INSERT Appendix B-1a (Lincoln)

**School-based Calculation of Title I and All Other Federal Program Salaries
WSR TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90**

To display the School #1 WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled "Lincoln".

Selecting print will produce the Appendix B-1a page of the Abbott Addendum

INSERT Appendix B-1b (Washington)

**School-based Calculation of Title I and All Other Federal Program Salaries
WSR TPAF and FICA Calculation to Comply with *N.J.S.A. 18A:66-90***

To display the School #2 WSR, TPAF, and FICA Calculation illustration, click on the following link:

[TPAF](#)

Select the tab entitled "Washington".

Selecting print will produce the Appendix B-1b page of the Abbott Addendum

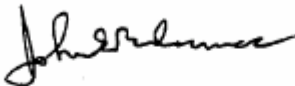



State of New Jersey
OFFICE OF THE STATE TREASURER
PO Box 002
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JAMES E. MCGREEVEY
Governor

JOHN E. MCCORMAC, C.P.A.
State Treasurer

TO: School Administrators

FROM: John E. McCormac, State Treasurer
Department of Treasury 
William L. Librera, Commissioner
Department of Education 

DATE: June 11, 2003

SUBJECT: Special Education Medicaid Initiative (SEMI)

We are writing to remind you of the requirements for billings under the Special Education Medicaid Initiative (SEMI) program.

As you know, SEMI allows both the State and the local school districts to receive federal dollars to offset the cost of providing medical services, such as therapy services to Medicaid eligible children in the schools.

Enclosed is a copy of the SEMI Handbook which outlines all the requirements that must be met for a school to receive the federal dollars generated under SEMI.

The SEMI Handbook describes various documentation requirements necessary for the implementation of the SEMI program. Throughout the handbook there are items needed to support the claiming of services. They include such things as maintaining parental consent forms and IEPs to indicate that certain services are claimable.

When reviewing the SEMI handbook, pay special attention to Chapter IV: Service Descriptions and Documentation Requirements. This section specifies what activities are considered billable under SEMI and describes evaluations and related services. In addition, this section indicates what documentation is necessary to support a claim for reimbursement. These include such things as physicians' orders for nursing services and physical therapy, as well as the importance of the IEP in determining why a service has been recommended.

If you have any questions regarding the SEMI program, please contact Lori Bemby of MAXIMUS. Ms. Bemby can be reached by telephone at (800) 618-7364 extension 200 or via email at loribemby@maximus.com.