SECTION III – REPORTING
CHAPTER 1 – AUDIT CRITERION AND SUBMISSION

Legal or Regulatory Requirements

In any governmental audit in which the auditor is expected to give an opinion on the fairness of the presentations in financial reports, compliance with applicable laws and regulatory requirements is a matter of importance because noncompliance might result in liabilities not disclosed in the financial reports. Compliance with laws and regulatory requirements, in many instances, assumes an even greater importance since the recipients of the financial reports and the audit reports also want to know whether funds designated for certain purposes were spent for those purposes.

The standards for examination and evaluation require consideration of applicable laws and regulations in the auditor's examination. The standards for reporting require a statement in his report regarding any significant instances of noncompliance disclosed by his examination and evaluation work. What is to be included in this statement requires judgment. Significant instances of noncompliance, even those not resulting in legal liability to the audited entity, should be included.

Although the reporting standard is generally on an exception basis, i.e., that only noncompliance need be reported, it should be recognized that governmental entities often want positive statements regarding whether or not the auditor's tests disclosed instances of noncompliance. This is particularly true in grant programs where authorizing agencies frequently want assurance in the auditor's report that this matter has been considered. For such audits, auditors should obtain an understanding with authorizing agencies as to the extent to which such positive comments on compliance are desired. When coordinated audits are involved, the audit program should specify the extent of comments that the auditor is to make regarding compliance.

When noncompliance is reported, the auditor should place his findings in proper perspective. The extent of instances of noncompliance should be related to the number of cases examined to provide the reader with a basis for judging the prevalence of noncompliance.

Peer Review

N.J.A.C. 6A:23A-16.2(i) requires that districts engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of education is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit. Generally, auditors will submit the peer review with the engagement letter for a repeat audit or if a new audit, with the proposal when responding to a board of education's request for proposal. The department recommends that auditors review the board minutes to determine that the peer review report has been reviewed prior to the audit engagement.

> "In accordance with NJOMB Circular Letter 98-07 including any amendments or revisions thereto [NJOMB 04-04], a district board of education or charter school board of trustees shall ensure that the public school accountant provides a copy of the most recent external peer/quality report to the Department, within 30 days after the initial engagement of a licensed public school accountant or firm and within 30 days after the issuance of a subsequent peer/quality report."

It is the responsibility of the district to comply with the regulation of submitting the peer review report to the department. Auditors are asked to inquire, early during field work, if the district has done this. A copy of the most recent peer review report must be provided to the department as soon as possible after the engagement letter has been signed.

Government Auditing Standards (the 2007 Yellow Book) includes peer review requirements. Any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract should be provided to the district which has contracted for the audit or attestation engagement. Auditors should continue to refer to Sections 3.50- 3.57 of the 2007 *Yellow Book* for guidance on Quality Control and Assurance Standards.

Audit Submission

Auditors are encouraged to monitor the progress of Assembly bill A415 which would amend N.J.S.A. 18A:23-1 and immediately provide an additional month for the completion of a school district's annual audit. At the time of publication of this Audit Program, the audit must be completed not later than four months after the end of the fiscal year (November 1). N.J.S.A. 18A:23-3 requires "…such accountant shall within five days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner" (November 5, 2010). No provision is made for the issuance of extensions beyond the statutory due date. If a school district fails to have an annual audit completed by November 1, the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district. The cost of conducting such an audit would be paid out of the funds of the school district.

The following section provides information on the required documents to be submitted. A checklist (see page III-1.4) to organize the various documents should be completed and included as part of the submission to the department. This has been developed to assist audit firms in packaging the correct number of documents, and to minimize correspondence from the department. The filing addresses and other pertinent information are outlined below. Failure to follow the filing instructions will result in notification to the districts by the department.

Audit Reporting Package

- The Reporting Package consists of two separate required audit reports; the CAFR and the Auditor's Management Report (AMR). Both reports must be signed by the appointed public school accountant performing the audit, not by the firm or corporation that employs the auditor, and submitted to the district board of education. Three electronic copies on CD-Rom of the reporting package including the CAFR, AMR, Data Collection Form, and Single Audit Summary must also be sent to the Department of Education.

Audit Summary diskette (Audsum)

- The Audit Summary Worksheet is generated by the software and must be signed by both the auditor and the district business administrator.
- The Audsum data is transmitted to the department by the school business administrator.

Auditor Questionnaire (see Section III-6 of this Audit Program)

- The Auditor Questionnaire is not a required submission for districts. It must still be signed by the auditor, maintained in the auditor's workpaper files, and available to the department upon request.
- The Audit Questionnaire should not be sent to the Department of Agriculture.

Additional reports/worksheets submitted to the department

- Peer Review report
- Data Collection Form (if applicable; see Single Audit section III-1.6)
- Single Audit Summary (see Single Audit Section II-SA and the OFAC Website http://www.state.nj.us/education/business/audit.htm) Note that sections A, C, and F apply to all districts and section D applies to those districts subject to a federal and/or state single audit.

MAILING ADDRESS * (Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.)	AUDIT DOCUMENTS	TIME AFTER AUDIT TO SUBMIT/ # COPIES
Federal Audit Clearinghouse Bureau of the Census (Must use federal IDES to submit SF-SAC and Single Audit reporting package electronically to the Federal Audit Clearinghouse)**	Federal Package** Federal Data Collection Form (Only required for districts expending $500,000 or more in federal awards)	Within 30 days One copy of each

****see Single Audit Report Submission Requirements on page III-1.6**

Commissioner of Education Department of Education Office of Fiscal Accountability and Compliance/Single Audit *100 Riverview Plaza *Trenton, NJ 08625 PO Box 500 Trenton NJ 08625-0500 Telephone 609-984-5935	See Single Audit Summary for DOE submission requirements http://www.state.nj.us/education/business/audit.htm	Within five days

NJ Department of Agriculture *** Bureau of Child Nutrition Programs * 33 W. State St. – 4th floor P.O. Box 500 Trenton, NJ 08625-0500	Audit Reporting Package – CAFR (electronic copy only), AMR, Single Audit Summary & Corrective Action Plan (CAP)	Within five days; **One copy**

Executive County Superintendent of Schools	Audit Reporting Package – CAFR, AMR, Single Audit Summary, & Corrective Action Plan (CAP)	Within five days - **One copy**

The Single Audit Unit in the Office of Fiscal Accountability and Compliance (OFAC) has designed a Single Audit Summary form which must be completed by auditors as follows:

- All Reporting packages must have Sections A, C and F completed.
- Auditors of districts which have federal single audits and/or state single audits must complete Section D.
- The shaded sections are either completed by the Single Audit Unit or are automatically calculated.

This form replaces the Type A worksheet and the CAFR Information Schedule/Checklist that was in this chapter in prior years. The form is available at a link titled "FY10 Single Audit Summary" accessed through the following link to OFAC's website:

http://www.state.nj.us/education/business/audit.htm

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For districts subject to the Single Audit Act pursuant to USOMB Circular A-133, the report submission requirements are as follows:

- The Data Collection Form (SF-SAC) and the Federal Single Audit Reporting Package described below must be submitted to the Federal Clearinghouse within 30 days after receipt of the auditor's report(s).
- Based on the statutory deadline for filing the annual audit report for New Jersey School Districts, no submission to the Federal Clearinghouse should occur beyond November 30.
- The submission of anything other than a complete Data Collection Form and Reporting Package will be returned to the auditee.
- The Form SF-SAC and the Single Audit Reporting packages for fiscal periods ending on or after January 1, 2008 must be submitted online.
- Only one copy of the reporting package is required. If the audit requires distribution to another federal agency, the Federal Audit Clearinghouse will copy and distribute the required reporting packages to the federal agencies per §__.320(d) of the Circular.

Data Collection Form
The Data Collection Form provides information on the type of audit, the auditee, the auditee's federal programs, and the results of the audit.

Data Collection Form information is entered electronically through the Federal Audit Clearinghouse Internet Data Entry System (IDES) at the website http://harvester.census.gov/fac/collect/ddeindex.html. Auditors should refer to the instructions at http://harvester.census.gov/fac/collect08/main_instruct.pdf. For SF-SAC and OMB 133 submission questions contact the Federal Audit Clearinghouse by email govs.fac@census.gov or phone 1-800-253-0696 (toll free) , or 301-763-1551.

Federal Reporting Package
The Reporting Package must include the following:

- Financial statements (discussed in OMB-133, ¶__.310(a))
- Schedule of Expenditures of Federal Awards (¶__.310(b))
- Summary schedule of prior audit findings (¶___.315(b))
- Auditor's reports (¶___.505)
- Corrective action plan (¶ ___.315(c))

Corrective action plan
The corrective action plan filed with the Federal Clearinghouse (A-133 corrective action plan) addresses each audit finding included in the current year auditor's reports in the Single Audit Section of the CAFR. In accordance with OMB Circular A-133 section .320(c), the corrective action plan is a required component of the Reporting Package. District staff should prepare the A-133 corrective action plan in a timely manner so as to meet the filing deadline for submission to the Executive County Superintendent (see State Submissions below).

Submission of Federal Reports to State Departments
In addition to the required submissions to the Federal Clearinghouse, the auditee must also submit one copy of the Reporting Package to each pass-through entity (including the NJ Department of Agriculture) when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to federal awards that the pass-through entity provided. The reporting package must be transmitted to the federal collection center electronically.

If the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed no audit findings or did not report on the status of prior audit findings relating to federal awards that the pass-through entity provided, the auditee shall provide written notification to the pass-through entity in accordance with Section .320(e)(2).

State Single Audit Requirements

Districts may be subject to New Jersey state single audit requirements as established by NJOMB Treasury Circular Letter 04-04 which states that "in addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds."

State Single Audit Reporting Package
Federally required reports and opinions
Financial statements
Schedule of Expenditures of State Financial Assistance
Corrective Action Plan (if different from federal CAP)
Single Audit Summary

Corrective Action Plan – State requirements
The corrective action plan filed with the Executive County Superintendent addresses each finding included in the Auditor's Management Report and must be filed within 30 days following the board meeting at which the audit was discussed. Refer to Section III, Chapter 7 for guidance on the corrective action plan to be filed with the Executive County Superintendent. This corrective action plan may differ from the federal corrective action plan if there are findings which the auditor deems to be immaterial for federal reporting, but which must be included for state purposes.

Reporting Errors

Auditor's Management Report (AMR)
N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditor's Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes <u>all</u> items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's CAFR.

- Immaterial Errors and Omissions
  Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.

- Other Recommendations to the Board of Education
  Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the district's Corrective Action Plan.

Schedule of Findings and Questioned Costs (Single Audit - Federal and State)
In accordance with the Single Audit Act, USOMB Circular A-133, and NJOMB Circular Letter 04-04, questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the *Schedule of Findings and Questioned Costs* in the single audit section of the district's CAFR if they meet the criteria for reporting audit findings as detailed in Circular A-133 (Section .510). See Section II-SA of the Audit Program for sample format of the schedule. As noted above, all items reported in the single audit section must be repeated in the Auditor's Management Report. Illustrative Auditor's Report Under OMB Circular A-133, Example 13-6, *Schedule of Findings and Questioned Costs*, has been revised for SAS No. 115. Published by the AICPA on March 11, 2010 the sample report is available at:

http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/Illustrative%20Auditor%27s%20Reports%20Under%20OMB%20Final.pdf

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR.

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SECTION III – REPORTING
CHAPTER 2 SAMPLE OPINION REPORTS

Directives for Auditor's Reports

The Single Audit Act Amendments of 1996 (the Act) replaced the Single Audit Act of 1984 which established uniform requirements for audits of Federal awards administered by non-Federal entities. The federal Office of Management and Budget (USOMB) issued the publication *Audits of States, Local Governments, and Non-Profit Organizations* (OMB A-133) to implement the Single Audit Act Amendments. Effective for fiscal years ending after December 31, 2003, OMB A-133 was revised to raise the audit threshold for all recipients, including state and local governments to $500,000.

The State of New Jersey Office of Management and Budget (NJOMB) Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, revised state policy regarding audits of grant recipients to require those recipients that expend $500,000 or more in federal financial assistance or State financial assistance within their fiscal year to have annual single audits in accordance with the Act, Amendments, OMB A-133 Revised, and State policy. Recipient single audits must contain reports and opinions for State funds similar to those required for federal single audits. A recipient is any local government (including school board) that receives from a State agency any federal grant, State grant or State aid funds to carry out or administer a program.

The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (*AICPA Audit Guide*) is available through the AICPA website **http://gaqc.aicpa.org** and incorporates recent changes to the AICPA auditing standards and Government Auditing Standards. The auditor reporting required under OMB Circular A-133 is affected by the issuance of SAS No. 115, Communicating Internal Control Related matters Identified in an Audit. SAS 115 is effective for audits of financial statements for periods ending on or after December 15, 2009 and is incorporated in section AU Section 325 available for download from the AICPA at:
http://www.aicpa.org/research/standards/auditattest/downloadabledocuments/AU-00325.pdf.

Sample reports updated to include Statement of Auditing Standards No. 115 terminology are available at the AICPA link:
http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/default.aspx
Auditors should check the AICPA website and the reports link for the most recent sample reports. For additional guidance, the revised 2007 *Government Auditing Standards* (the 2007 Yellow Book) issued July, 2007 by the U.S. General Accounting Office is available at www.gao.gov. The 2007 Yellow Book is applicable for financial audits of periods beginning on or after January 1, 2008. The term "reportable conditions" is no longer used in the reporting.

Component Units

Government Accounting Standards Board Statement (GASB) 14 as amended by GASB 39 requires that separately issued financial statements of a component unit indicate that the entity is a component unit of another government. The notes to the component unit's financial statements should disclose the identity of the primary government of the financial reporting entity and describe the relationship with the primary government. For the auditor's report, the AICPA's publication *State and Local Governments,* issued May 2007 (Paragraph 14.45) refers to the language used in the introductory paragraph of the illustrative auditor's report in appendix A, Example 14A.2. - "We have audited the accompanying basic financial statements of Sample County School District, a component unit of Sample County, as of and for the year ended June 30, 20X1, as listed in the table of contents…". District staff and auditors should refer to the guidance on the department's website http://www.nj.gov/njded/finance/fp/gasb34/component_unit.shtml for further information on component units.

Auditor Reports

The reports generally required in connection with an audit performed under the Single Audit Act of 1984, P.L. 98-502 as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and required by NJOMB Circular Letter 04-04 have been revised for SAS No. 115. Illustrative Auditor's Reports Under GAS (4-1 through 4-7) have been published by the AICPA are available at:

http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/DownloadableDocuments/IllustrativeAuditorsReportsUnderGASFINAL.pdf

Example No.	*Title*
4-1	Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information—State or Local Governmental Entity

New Jersey Specific References to be included:

- In paragraph 2, sentence 1, the phrase *"and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey"* should be added to the end of the sentence.
- If the audit has been conducted in accordance with OMB A-133, the paragraph which discusses the accompanying schedules of expenditures of federal awards and state financial assistance should also include the phrase *"and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively"* in the first sentence.

4-3	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards (No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters Identified)*

New Jersey Specific References to be included:

- The last sentence of the first paragraph should include the phrase *"and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey"* at the end of the sentence.
- In the section for Compliance and Other Matters", the last sentence of the first paragraph should include the phrase *"and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey"* at the end of the sentence.
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

The sample audit reports listed above are based on the assumption that no qualifications of opinion are required. Reports 4-4 through 4-7 include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be included in the reports if such findings apply.

Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

Illustrative Auditor's Reports Under OMB Circular A-133, (13-1 through 13-6), revised for SAS No. 115, were published by the AICPA on March 11, 2010 and are available at:

http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/Illustrative%20Auditor%27s%20Reports%20Under%20OMB%20Final.pdf

Example No.	*Title*
13-1	Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (*Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified*)

New Jersey Specific References to be included:

- In paragraph 1, sentence 1, the phrase *"and the New Jersey State Aid/Grant Compliance Supplement"* should be added after the reference to the OMB Circular A-133 Compliance Supplement.
- In paragraph 2, sentence 1, the phrases *"the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey"* and "*New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*" should be added in the sentence.
- In paragraph 2, sentence 2, the phrase "*and New Jersey OMB's Circular 04-04*" should be added after the reference to OMB A-133.
- In paragraph 3, sentence 2, the phrase "*and New Jersey OMB's Circular 04-04*" should be added after the reference to OMB A-133.
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

13-6	Schedule of Findings and Questioned Costs

The sample audit reports listed above are based on the assumption that no qualifications of opinion are required. Reports 13-2 through 13-5 include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be included in the reports if such findings apply. Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit* is effective for audits of financial statements for periods ending on or after December 15, 2009 requires changes to the Auditor's Reports for June 30, 2010 audits and is incorporated into AU Section 325 available for download from the AICPA at:

http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-00325.pdf.

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SECTION III – REPORTING
CHAPTER 3-NOTE DISCLOSURES AND STATISTICAL SECTION

Disclosure

A governmental entity's reports and statements, both financial and operational, ideally should contain the information necessary for users--management, the electorate, creditors, grantors, and others--to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. However, the auditor should comment if the data provided is insufficient to disclose any matters that may have a material effect upon the financial reports.

Adequate disclosure is that which is required by generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), as well as adherence to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Disclosure should be fair, manageable and reasonably complete; not complex or difficult to understand.

Weight should be given to materiality, which is the relative importance or relevance of an item included in or omitted from a financial or operating report. There are no universal ratios or percentages that can be used as standards of materiality for financial or operational processes or transactions. Materiality should be based on judgment. Auditors should reference the AICPA Audit and Accounting Guides, *State and Local Governments* and *Government Auditing Standards and Circular A-133 Audits* for guidance on materiality. This guide specifies that auditor reporting on governmental financial statements should be based on opinion units.

The following notes for the schedules of expenditures of awards and financial assistance are required by OMB Circular A-133, Sec. 310. The sample financial statement disclosures presented in this chapter are illustrative of some of the more common disclosures or unique to New Jersey school districts. They are not intended to be a boilerplate and should be included **only** if they apply to that district's CAFR. The source of reference (e.g. GASB Codification Section or NJ Dept. of Education) is included at the end of each sample note. Additional information and samples of disclosures can be found in the GFOA *Governmental Accounting, Auditing and Financial Reporting* (the "Blue Book"), *GASB Codification of Governmental Accounting and Financial Reporting Standards*, and the ASBO International Self-Evaluation Worksheet.

SAMPLE NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE

Anytown School District
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 200X

NOTE l. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Anytown School District. The Board of Education is defined in Note l to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A.* 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. 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. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $_____ for the general fund and $_____ for the special revenue fund. See *Note* 1 [the Notes to Required Supplementary Information] for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented on the following page:

SAMPLE NOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE (CONT'D.)

Anytown School District
Notes to Schedules of Expenditures of Awards and Financial Assistance (Cont'd.)
June 30, 200X

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D.)

	Federal	*State*	*Total*
General Fund	$	$	$
Special Revenue Fund			
Debt Service Fund			
Food Service Fund			
Total Awards & Financial Assistance	$	$	$

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Anytown School District had the following loan balances outstanding at June 30, 200X:

Loan Program Title	Federal CFDA Number	Amount Outstanding
Federal EPA	N/A	$XXX,XXX

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 200X. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 200X.

NOTE 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: *Improving Basic Programs Operated by Local Education Agencies*	$ 615,764
Title II, Part A: *Teacher and Principal Training and Recruiting*	497,682
Title II, Part D: *Enhancing Education Through Technology*	112,071
Title IV Part A: *Safe and Drug-Free Schools and Commu*nities	150,319
Title V Part A: *Innovative Programs*	170,987
Total	$1,546,823

FINANCIAL STATEMENT DISCLOSURES – OVERVIEW AND SAMPLE NOTES

Please note that the sample notes included in this section are not intended to be all inclusive and auditors. Auditors and district staff should also refer to GASB Codification Section 2300 and the AICPA Checklists and Illustrative Financial Statements for State and Local Governmental Units for further guidance on disclosures.

Categories of disclosures affected by GASB 34 and GASB 38 are indicated below with the paragraph of the Statement noted. Illustrative disclosures are reflected in both GASB Statements. In addition, GASB 38, Appendix B, par. 68 includes a list of disclosure requirements not changed. Samples for the capital assets and long-term liabilities may be found on the NJDOE website http://www.nj.gov/njded/finance/fp/cafr/ **.**

Summary of Significant Accounting Policies – GASB 34, par.115; GASB 38, 6-8

Violations of Finance- related Legal or Contractual Provisions – GASB 38, par.9

Capital Assets – GASB 34, par.116-118

Long-term Liabilities – GASB 34, par.116, 119

Debt and Lease Obligations –GASB 38, par. 10-11

Short-term Debt – GASB 38, par. 12

Disaggregation of Receivable and Payable Balances – GASB 38, par.13

Interfund Balances and Transfers – GASB 38, par. 14

The disclosures should be revised where applicable more recent applicable GASB statements.

Disclosures Effected by the Delay of One or More June State Aid Payments

The SAMPLE NOTES section of this chapter has been updated to include disclosure examples relating to the recording of the delayed state aid payment(s). Alternative presentation formats are also acceptable. (See also NCGAI 10, *State and Local Government Budgetary Reporting* and GASB 34 and

GASB 38, NCGAI 6 *Notes to the Financial Statements Disclosure*, Appendix, as amended, and GASB Codification 2300.106, 107 and 901).

The following three disclosures affected by the revenue recognition policy of the one or more delayed June state aid payments for budgetary purposes are discussed below:

- Disclosure of the district's policy for revenue recognition.
- Reconciliation of the revenue for budgetary comparison statements/schedules to the GAAP statements.
- Disclosure of a deficit fund balance.

Disclosure of the District's Policy for Revenue Recognition

The department recommends that the district's policy for revenue recognition of the one or more June state aid payments for budgetary purposes be disclosed in the Budgets/Budgetary Control section of Note 1 - Summary of Significant Accounting Policies. The revision to the second paragraph of the sample Note on Budgets/Budgetary Control is in boldface type.

Reconciliation of Revenue for Budgetary Comparisons to GAAP Statements

GASB 34 requires a reconciliation of inflows and outflows from the Budgetary Comparison schedules to the GAAP basis funds statements. The reconciliation of the revenue difference due to the delay of one or more June state aid payments should be included in the general fund and the special revenue fund columns and is presented in the Notes to Required Supplementary Information.

Disclosure of Deficit Fund Balance

The Note on Deficit Fund Balance, if applicable, will need to be modified to disclose if the deficit in the GAAP statement fund balances occurred as a result of the adjustment for the one or more June state aid payments. Under GAAP, in accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the one or more delayed June state aid payments are not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue. The sample note included on the last page of this chapter of the Audit Program has been modified to reflect this.

SAMPLE BASIC FINANCIAL STATEMENT NOTES

NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BUDGETS/BUDGETARY CONTROL

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

GASB 34 Model Illustration of Reconciliation

Notes to Required Supplementary Information
Budgetary Comparison Schedule

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	$23,101,430	$ 7,983, 526
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(21,204)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	553,478	347,560
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(551,385)	(243,142)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	$ 23,103,523	$ 8,066,740
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 24,209,664	$ 7,983,526
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(21,206)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund.		(2,668,125)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	$ 24,209,664	$ 5,294,195

Auditor's Note – The following POST-RETIREMENT BENEFITS information is statewide data and should be utilized in the 2009-10 district CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2009.

NOTE *X*. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2009 there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state made post-retirement (PRM) contributions of $1.38 billion for fiscal year 2009 and 3.22 million for fiscal year 2008.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

(GASB Cod. Sec. 2300.107(v)

Auditor's Note – The following sample footnote disclosures are notes that are frequently omitted from school district CAFR's filed with the Department of Education. If applicable, the department **recommends** the following disclosures are included in the notes to the financial statements if applicable to that district.

NOTE *X*. COMPENSATED ABSENCES

The district accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the district's personnel policy. Upon termination, employees are paid for accrued vacation. The district's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the district for the unused sick leave in accordance with the district's agreements with the various employee unions.

X = *Applicable footnote number in the district's CAFR.*

In the districtwide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 200X, a liability existed for compensated absences in the Food Service Fund in the amount $XX,XXX.

(GASB Cod. Sec. C60)

NOTE *X*. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the _____ of _____ Board of Education by inclusion of $_____ on _____, 200X for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A.* 19:60-2. Pursuant to *N.J.A.C.* 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 20__ to June 30, 20__ fiscal year is as follows:

Beginning balance, July 1, 20__		$ _____
Interest earnings		_____
Deposits		
Approved at April 200_ election		_____
Withdrawals		
Board resolution [ENTER DATE]	$_____	
Board resolution [ENTER DATE]	$_____	
Total Withdrawals		_____
Ending balance, June 30, 20__		$ _____

The June 30, 200_ LRFP balance of local support costs of uncompleted capital projects at June 30, 200_ is _____. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

(NJ Department of Education & GASB Cod. Sec. 2300.107(l))

NOTE X. TRANSFERS TO CAPITAL OUTLAY

During the year ending June 30, 200_, the district transferred $_____ to the capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters [OR STATE IF TYPE I DISTRICT, BY THE BOARD OF SCHOOL ESTIMATE] in the budget certified for taxes pursuant to *N.J.A.C.* 6A:23A-8.4 [OR STATE IF THE TRANSFER WAS APPROVED BY THE EXECUTIVE COUNTY SUPERINTENDENT TO SUPPORT AN EMERGENT CIRCUMSTANCE PURSUANT TO *N.J.A.C.* 6A:23A-13.3(h).]

(NJ Department of Education)

NOTE *X*. RISK MANAGEMENT

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The district maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The district has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the district is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The district is billed quarterly for amounts due to the state. The table on the following page is a summary of district contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
20X9 – 2010	$	$	$	$
20X8 – 20X9				
20X7 – 20X8				

(GASB Cod. Sec. 2300.107(a))

NOTE *X*. INTERFUND BALANCES AND TRANSFERS

Auditors Note - GASB Statement No. 38, paragraphs 14 and 15 revised the required disclosures for Interfund Balances and Transfers. District staff and auditors should refer to that statement for further discussion. Sample disclosures for Interfund Balances and Transfers, as well as other disclosures required by GASB 38 can be found in Appendix C of that document. The GASB Codification section 2300.903 also provides illustrations of certain required disclosures.

NOTE *X*. DEFICIT FUND BALANCES

The District has a deficit fund balance of $_____ in the General Fund and $_____ in the Special Revenue Fund as of June 30, 20__ as reported in the fund statements (modified accrual basis). *N.J.S.A.* 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal

year, the school district can not recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to the timing difference of recording the June state aid payment(s), the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of $_____ [is equal to (or) is less than] the last state aid payment. *[If the deficit exceeds the one or more delayed June state aid payment(s), the auditor should revise this note and indicate that the deficit is not a direct result from a delay in the June payment(s) of state aid and corrective action is required.]*

The District has an accumulated deficit of $_____ in the Capital Projects Fund as of June 30, 20__. This deficit is the result of the _____ of _____ utilizing temporary financing to fund expenditures for certain capital projects. As the District permanently finances these appropriations the District will realize as revenues the proceeds of the financing. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

(GASB Cod. Sec. 2300.108)

NOTE *X*. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the $_____ General Fund fund balance at June 30, 200_, $_____ is reserved for encumbrances; $_____ has been legally restricted in accordance with *N.J.A.C.* 6A:23A-8.5(j) as the 2009-2010 additional spending proposal was not fully expended; $_____ has been legally reserved for tuition adjustment in accordance with *N.J.A.C.* 6A:23A-3.1(f)(8); $_____ is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7 ($_____ of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 20__); $_____ has been reserved in the Capital Reserve Account [OR STATE OTHER APPLICABLE RESERVE ACCOUNT E.G., MAINTENANCE OR CURRENT EXPENSE EMERGENCY RESERVE,]; $_____ has been appropriated and included as anticipated revenue for the year ending June 30, 20__; and $_____ is unreserved and undesignated. During the fiscal year, authorized and approved appropriations of $_____surplus were made on [ENTER DATE OF APPROPRIATION] and $_____ made on [DATE OF APPROPRIATION].

Debt Service Fund – Of the Debt Service Fund fund balance at June 30, 20__, $_____ is reserved in accordance with *N.J.S.A.* 7F-41c(2) and $_____ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(l))

NOTE *X*. CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to *N.J.S.A.* 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is $_____ .The excess fund balance at June 30, 2009 was $_____. Pursuant to the provisions of Executive Order No. 14, $_____ of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the general fund account group due to the 2009-10 withholding of state aid.

(NJ Department of Education & GASB Cod. Sec. 2300.107(l))

STATISTICAL SECTION OF THE CAFR

Overview

The Governmental Accounting Standards Board (GASB) issued Statement No. 44, "Economic Condition Reporting: the Statistical Section;" an amendment of NCGA Statement 1, in May 2004, effective for periods beginning after June 15, 2005. This statement (GASB 44) revises the current statistical section of the Comprehensive Annual Financial Report (CAFR). New Jersey school districts first implemented GASB 44 for year end June 30, 2006.

GASB 44 was issued to improve the understandability and usefulness of the statistical section information. Although most of the data is reported in the current model, GASB 44 modifies the presentation by establishing five categories – financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. GASB also addressed what it considered issues in the statistical tables section as currently presented:

- Consistency in statistical reporting among governmental entities,
- Completeness in statistical reporting by the entity, and
- Incorporation of the new governmentwide reporting format required by GASB 34 into the entity's statistical section.

Illustrations

The department is providing samples of the statistical tables that use the format of illustrations in GASB 44. The samples are intended to meet the requirements of GASB 44 as applied to New Jersey school districts. In tables which had optional placement of certain data or inclusion of data, the department selected the format that is most consistent with the current tables and most meaningful to the school districts. Districts may elect to present additional relevant statistical data, but for purposes of comparability between districts, they should follow the basic format presented in the samples. The illustrations will be available on the NJDOE Office of Fiscal Policy and Planning website http://www.nj.gov/njded/finance/fp/cafr/ with additional guidance on preparation of the tables.

Years of data

GASB 44 requires the presentation of the information described for the most recent ten years, unless otherwise specified in the statement (or if not available in previous statistical sections). Governments are not required to report retroactively the districtwide financial data (Exhibits NJ J-1 through NJ J-2) but are encouraged to report this information starting with the year they implemented GASB 34. For other tables, NJDOE strongly encourages reporting ten years data when it is available to provide trend information. Data which was not previously required must be reported at a minimum of one year. When currently reported data differs from the new requirements, districts are encouraged to restate the prior data if possible for comparability or explain how the data differs.

- If statistical data cannot be obtained or estimated
    - Note N/A on the face of the schedule and explain on the schedule why the information is unavailable.

The Outline on the next two pages shows the tables that are to be included. The illustrations on the website assume the district is retroactively reporting to the year GASB 34 was implemented, 2002-03 for illustration purposes, and ten years for data that would be available where applicable.

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)	
Revised NJ Exhibit #	**Category/New Title**
* = 10 years data should be reported unless not available	
Financial Trends Information/Schedules	
J-1	***** Net Assets by Component
J-2	***** Changes in Net Assets
J-3	***** Fund Balances-Governmental Funds
J-4	* Changes in Fund Balances, Governmental Funds
J-5	* General Fund Other Local Revenue by Source (NJ)
Revenue Capacity Information	
J-6	*Assessed Value and Estimated Actual Value of Taxable Property
J-7	*Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current Yr and Nine Years Ago)
J-9	*Property Tax Levies and Collections
Debt Capacity Information	
J-10	* Ratios or Outstanding Debt by Type
J-11	*Ratios of General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt
J-13	*Legal Debt Margin Information
Demographic and Economic Information	
J-14	*Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Yrs Ago

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44) (continued)	
Revised NJ Exhibit #	**Category/Title**
* = 10 years data should be reported unless not available	
Operating Information	
J-16	* Full-time Equivalent District Employees by Function/Program
J-17	* Operating Statistics
J-18	* School Building Information
J-19	*Schedule of Allowable Maintenance Expenditures by School Facility (NJ)
J-20	Insurance Schedule (NJ)

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