

**FINANCIAL ACCOUNTING
FOR
NEW JERSEY SCHOOL DISTRICTS**

THE AUDIT PROGRAM

2010-11

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
DIVISION OF FINANCE & REGULATORY COMPLIANCE
PO BOX 500
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- Federal OMB Circular No. A-133 - Refer to Circular on web site
http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf
- State Circular Letter No. 04-04-OMB – Refer to Circular at the NJOMB web site: <http://www.state.nj.us/infobank/circular/circindx.htm>

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SIGNIFICANT CHANGES FOR 2010-11

- Revised terminology for fund balance classification to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications are nonspendable, restricted, committed, assigned, and unassigned. See Section II-10.
- TPAF Wage Freeze Grants available to school districts that had wage freezes for the 2010-11 school year. These are one-time grants awarded in the amount of FICA savings to districts that implemented a freeze of a previously negotiated increment for TPAF employees. Districts were instructed to record the grant in an available revenue code 10-3XXX (Other State Aid) and as a receivable for 2010-11. The initial payment was 50% of the grant. Final payments are made in July 2011. Funds not appropriated during the 2010-11 fiscal year may be used as an adjustment for the excess surplus calculation and may be appropriated in the 2011-12 fiscal year without Commissioner approval. Instructions, Application and Clarification are available at this link <http://www.nj.gov/education/finance/>
- Ed Jobs Funds are federal funds paid out on a reimbursement basis and are reported in Fund 18, similar to the ARRA GSF and ARRA ESF reporting in 2009-10. There should be no fund balance related to Ed Jobs funds. Guidance, including district allocations and a FAQ is available at this website <http://www.nj.gov/education/finance/jobs/>. See Section I-1.
- Optional Treasurer – P.L. 2010, c.39 made the position of Treasurer optional. This law amended many statutes. The impact of the law is reflected throughout the document for reports and actions formerly required of the Treasurer. See Section II-10
- Health Cost withholding from employees whose contracts were negotiated after May 22, 2010. See Section II-90.

OTHER CHANGES / UPDATES FOR 2010-11

The following is a summary of changes / updates:

1. General changes are found throughout the document and include:
 - Code references have been updated where appropriate.
2. Specific changes are found in the following sections/chapters:

Introduction

- Updated the submission date of the reporting package to the statutory submission date which is the fifth day after five months (P.L.2010, c.49.) after the end of the school fiscal year. The deadline for submission of June 30 audits is Monday, December 5, 2011
- Clarified that because the federal due date is later than the statutory submission date for filing the reporting package with New Jersey, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education. Accordingly, the CD-ROMs of audit items submitted may be submitted on time without including the archived copy of the SF-SAC which then must be submitted under separate cover
- C-1(b) of the CAFR Outline is used to identify and report Education Jobs Fund Program – Budget and Actual replacing the American Recovery and Reinvestment Act (ARRA)- Budget and Actual

Section I-1

- Added the requirement that districts implement and maintain a financial and human resource management system (larger districts); access controls. Implementation complete by the 2010-11 school year. (N.J.A.C. 6A:23A-6.7)
- Added the requirement that districts implement and maintain a facilities maintenance and repair scheduling and accounting work order system. Districts with three or more district buildings were to fully implement an automated work order system by July 1, 2010 (N.J.A.C. 6A:23A-6.9)
- Added N.J.A.C. 6A:23A-5.2(a)(3) requires districts with legal costs that exceed 130 percent of the statewide average per pupil amount to establish specific internal control procedures for the reduction of costs or to provide evidence that such procedures would not result in a reduction of costs. Districts that have audited June 30, 2010 legal costs that exceeded 130% of the statewide average as published in the *Taxpayer Guide to Education Spending* should have a resolution or memo to recognize this and to implement for 2011-12 the controls as provided in NJAC 6A:23A-5.2(a)(3) at the earliest board of education meeting subsequent to the 6/30/11 fiscal year.

Section I-2

- No Change

Section I-3

- Added the WIDA Model Test to the list of English language proficiency tests

- Added the WIDA Model Test criteria for program entry and exit
- Added audiology to the list of related reimbursable services provided as part of a school-based Medicaid reimbursement program
- Clarified that a district may submit and receive approval for an alternative SEMI revenue projection.
- Updated SEMI reimbursement rates. Districts receive \$298.02 for eligible IEP meetings and \$10.33 per date of eligible related services.
- Clarified that regular special education preschool students without special transportation needs are counted as eligible for aid if the student meets the on-roll and remote mileage requirement of 2.1 miles or more for S1 grade levels (students whose age matches PK through grade 8) or 2.6 miles or more for S2 grade levels (students whose age matches grades 9 through 12)
- Clarified that special education pre-kindergarten students with special transportation needs are counted as eligible for aid if the student meets the on-roll and remote mileage requirement of 2.1 miles or more for S1 grade levels (students whose age matches PK through grade 8) or 2.6 miles or more for S2 grade levels (students whose age matches grades 9 through 12)

Section I-4

- Deleted Executive Order 14 guidance for special permission to complete transfers from emergency, maintenance, and capital reserves
- Clarified that deposits to the emergency reserve may be made at budget time unless a district requested a Commissioner tax levy cap waiver, or by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both.
- Provided link to DOE guidance regarding withdrawals from emergency reserve
- Included transfer guidance for tuition reserve *N.J.A.C. 6A:23A-14.4(a)(3)*
- Added transfer guidance for waiver offset reserve and clarified that fiscal year end June 30, 2011 is the final year that districts are required to establish or increase a waiver offset reserve in accordance with the requirements of *N.J.A.C. 6A:23A-13.1*.
- Clarified that the waiver offset reserve balance at June 30, 2011 may include balances established at June 30, 2010 and June 30, 2011 only.

Section I-5

- Added reference to Local Finance Notice LFN-2011-16 *The Qualified Purchasing Agent Law and Boards of Education* which provides that the maximum bid threshold for contracting under the Public Schools Contracts Law (N.J.S.A. 18A:18A-2) is \$26,000 effective July 1, 2010
- Added that where the district has appointed a QPA the bid threshold pursuant to *N.J.S.A. 40A:11-3(a)* and *18A:18A-3(a)*, may be increased to \$36,000 as of July 1, 2010
- Clarified that *N.J.S.A. 19:44A-20.12* does not apply to boards of education. Accordingly, districts are not required to seek the approval of the State Treasurer prior to completing an emergency purchase for goods or services.
- Added reference and link to Local Finance Notices 2009-28 and 2011-1 for current guidance and a 2010-2011 Table of Bid Holiday Acceptance Dates.

- Deleted reference to *N.J.S.A. 18A:18A-42(j)* (statute deleted)
- Replaced reference to *N.J.S.A. 18A:20-4.2(f)* with *N.J.S.A. 18A:18A-4.6(c)* (P.L. 2009, c.4 - an act authorizing public entities to implement an energy savings improvement program)
- Added reference and link to The Division of Local Government Services LFN 2009-11 that provides guidance on “Implementing an Energy Savings improvement Program” P.L 2009, c.4.

Section I-6

- Deleted all reference to function code 290 – Other Support Services no longer used

Section I-8

- Added link to Encumbrance Hotline maintained on DOE website
- Deleted reference to the 2009-10 withholding of state aid
- Deleted reference to ARRA ESF and ARRA GSF

Section II-10

- Added P.L. 2010, c.39, effective July 2, 2010, makes the position of treasurer of school moneys optional and for districts that eliminate the position:
 - *N.J.S.A. 18A:17-9.1* (new) - the board secretary will receive and hold in trust all school moneys, except any moneys derived from athletic events or other activities of pupil organizations of the district
 - *N.J.S.A. 18A:17-9.2* (new) - The board secretary shall keep a record of the sums received and paid out by him
 - *N.J.S.A.18A:17-9* (amended)– the chief school administrator or board designee prepares the bank reconciliations and in conjunction with the secretary reconciles with the cash record balance
 - *N.J.S.A. 18A:17-9(a)* (amended) – requires the board secretary’s report to provide year to date cash receipts and obligation, cash and appropriation balances for each account and fund, and the reconciled bank account balances
 - *N.J.S.A. 18A:19-9* (amended) - requires that payrolls must be certified by the president and secretary of the board and the chief school administrator
 - *N.J.S.A. 18A:19-10* (amended) - authorized signatories on the payroll account must include the secretary and board designee
 - Amends *N.J.S.A. 18A:19-10* (amended) - provides that in a district that does not maintain the position of treasurer, the secretary shall draw and deposit the warrants
- Clarified that amendments to *N.J.S.A. 18A:19-9* and *18A:19-10* also are effective for districts that elect to process payroll using a third party disbursement agent
- Clarified the process for calculating 2010-11 extraordinary aid (ExAid). Also clarified that applications are submitted for each individual student
- Added that P.L. 2010, c.39 amended *N.J.S.A. 54:4-75*, to provide that the board secretary is the recipient of district taxes where the district elects to not maintain the position of the treasurer of school moneys
- Revised the year for tuition adjustments from three years after the contract year to two years after the contract year
- Clarified that for the 2010-11 budget year districts were permitted and required to withdraw and budget 2007-08 and 2008-09 funds reserved in the tuition reserve account for the actual 2007-08 and 2008-09 certified tuition rate adjustments. The

money was reserved in 2007-08 and 2008-09 based on an estimated tuition adjustment in 2010-11.

- Travel Regulations: Circular No. 11-05-OMB effective December 16, 2010 supersedes 08-19-OMB; focus is on efficiencies in travel
- Entertainment, Meals, and Refreshments: Circular No. 11-09-OMB effective January 5, 2011 supersedes 06-14-OMB; permits receptions for employees, e.g., retirement, with a \$25 per month per agency limit
- Added reference to page II-90.1 of this Audit Program for audit guidance regarding employee health insurance withholding
- Added reporting guidance pursuant to Governmental Accounting Standards Series (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for periods beginning after June 15, 2010
- Clarified that where a district intends to withdraw from capital reserve to complete a school facilities project and submits a request for approval of an “Other Capital Project” to the Office of School Facilities for that project, the district may elect to request a determination of whether the project is eligible for State funding within the request for approval
- Clarified that upon approval as a project eligible for State funding by the Office of School Facilities, the district may withdraw from capital reserve by board resolution the amount necessary to complete the “Other Capital Project”. An approval of the “Other Capital Project” alone does not constitute eligibility for State funding
- Clarified that Education Jobs Fund expenditures are to be included in total general fund expenditures for purposes of the excess surplus calculation
- Revised sample excess surplus calculation account titles for GASBS No. 54
- Revised sample recapitulation of fund balance section of the *Budgetary Comparison Schedule for the General Fund* (Exhibit C-1) for GASBS No. 54
- Emphasized that the General Fund Unassigned Fund Balance reported in Audsum must agree with the General Fund Unassigned Fund Balance reported in the recapitulation of fund balance section of the *General Fund Budgetary Comparison Schedule* (Exhibit C-1).

Section II-20

- Emphasized that the cost of pensions, group life insurance, and social security incurred by the district for positions of TPAF members funded by the federal Education Jobs Fund (Fund 18) shall be reimbursed to the State of New Jersey
- Clarified that the FICA wage limit for 2010 and 2011 is \$106,800
- Clarified that the rate of 7.05% used in the sample TPAF/FICA Reimbursement schedule is an estimate. The actual rate must be used by districts when completing their reimbursement schedule. The actual rate will be available subsequent to the release of this Audit Program
- Clarified reimbursement accounting for SBB districts
- Added reference to memo on Unspent ARRA funds – Title I, SIA, IDEA and website
- Deleted planning year reference from Preschool Education Aid
- Added Preschool Education Aid funding information
- Added two line items - Purchased Ed. Services – Head Start and Other Objects to the sample *Schedule of Preschool Education Aid Budget and Actual* (Exhibit E-2)

Section II-30

- Added information on the implementation of energy savings improvement program (ESIP) by a board of education, financed through the issuance of energy savings obligations

- Emphasized that districts must request a determination of eligibility for State funding, and receive eligibility approval, before a withdrawal from capital reserve by board resolution can be completed.

Section II-40

- Added accounting guidance for debt service aid assessment

Section II-50

- No Change

Section II-60

- Clarified that food service funds must remain under the control of the treasurer of school moneys or school business administrator/board secretary in a district that elects to not maintain the position of treasurer of school moneys
- Clarified that when the LEA participates in any federally funded Child Nutrition Program, the contract for the services of a food service management company must meet federal standards and procurement requirements
- Clarified that where a district is rebidding their FSMC contract and the district participates in any federally funded Child Nutrition Program(s), rebidding must be pursuant to 7 CFR 3016.36.
- Clarified that for 2010-11, either a Type I or a Type 2 report on the FSMC's internal controls is acceptable
- Provided that SAS 70 has been split into two related but separate standards. Clarified that SSAE No. 16 for service auditors is effective for periods ending on or after June 15, 2011 and the new SAS for financial statement auditors is effective for periods ending on or after December 15, 2012
- Clarified that direct certification matching against updated Food Stamp/TANF data may be performed up to four times during the school year
- Added that beginning with 2010-11, the Verification Summary Report is transmitted electronically
- Deleted base year contract guidance that was applicable to 2009-10, but not 2010-11
- Updated link to program handbook for the Fresh Fruit and Vegetable Program
- Updated listing of memorandums and attachments for school year 2010-11

Section II-70

- No Change

Section II-80

- No Change

Section II-90

- Added reference to accounting and budgeting guidance provided to districts implementing 1.5% withholding for health benefits health benefit cost

Section II-SA

- Added reference to May 2011 Acting Commissioner letter to districts regarding ARRA Title 1 obligations and reimbursement requests
- Added reference to AICPA Statement on Auditing Standards (SAS) No. 117, *Compliance Audits* (supersedes SAS No. 74 *Compliance Auditing Considerations in Audits of Government Entities and Recipients of Governmental Financial Assistance*)

- Clarified that where the district has received funds paid in excess of expenditures, that amount is brought forward into a separate line in EWEG marked “Overpayment” in the Allocation section of the subsequent year grant application. At this point, if the subsequent year application has final NJDOE approval, the district must submit an amendment application to budget the prior year carryover and overpayment funds.
- Clarified that where a district has determined that unexpended and unpaid funds will not be claimed, and the district has agreed to release the districts right to such funds, the amount released should be presented on Schedule A, in the column entitled “Adjustments”
- Deleted section on required testing for the payment of penalty and interest costs or the failure to take full advantage of allowable discounts for prompt payment
- Updated the guidance for the reporting of encumbrances on the D-1 for GASBS No. 54
- Deleted reporting guidance for restricted formula aids Demonstrably Effective Program Aid (DEPA), Instructional Supplement Aid (ISA) and Targeted At-Risk Aid (TARA)
- Added that districts that were awarded a TPAF Wage Freeze State FICA Savings grant may have their final payment reduced if their state aid was not sufficient to cover the district’s tuition and other expense deductions
- Updated CFDA and State account numbers
- Updated sample Schedule of Findings and Questioned Costs to include language presented in the AICPA’s April 2011 revisions to the Illustrative Auditor’s Reports Under Circular A-133

Section III-1

- Updated the CD-ROM filing requirements for changes to the FY11 Single Audit Summary
- The requirement to file an Audit Reporting Package with the NJ Department of Agriculture has been changed to require submission only if the LEA received total combined funding in excess of \$100,000 from State Child Nutrition Programs and/or USDA Foods
- Clarified that because the federal due date is later than the statutory submission date for filing the reporting package with New Jersey, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education. Accordingly, the CD-ROMs of audit items submitted may be submitted on time without including the archived copy of the SF-SAC which then must be submitted under separate cover
- Updated reference and link to Illustrative Auditor’s Report Under OMB Circular A-133, Example 13-6, *Schedule of Findings and Questioned Costs*, which has been revised for SAS No. 117

Section III-2

- Updated reference and link to sample schedule of findings and questioned costs to include April 2011 illustrations which incorporate SAS No. 117
- Updated references and links to sample auditor’s reports (14-1 to 14-7 and 13-1 to 13-6) to include April 2011 illustrations

Section III-3

- Updated sample Post-Retirement footnote for information obtained from the June 2010 NJ State CAFR

- Added reference to GASBS No. 54 for required fund balance disclosures including the prohibition on the reporting of negative residual restricted, committed, or assigned amounts in the general fund

Section III-4

- Added guidance for surety bond coverage for the board secretary where the district does not maintain the position of treasurer
- Added to the condition of records review, that where the district does not maintain the treasurer's position, the review should include the records of other district personnel that have been assigned the duties formerly performed by the treasurer
- Replaced title "unreserved/undesignated fund balance" with unassigned fund balance in the excess surplus section
- Updated link to the AICPA's illustrative Schedule of Findings and Questioned Costs updated for SAS 117
- Revised the AMR review of financial planning, accounting, and reporting to include obligations of federal grant awards and requests for reimbursement of expenditures against those federal grant awards
- Revised the AMR review of the treasurer's records to applicable only where the district has a treasurer. Alternatively, where the district does not maintain the treasurer's position, records and reports prepared and maintained by other district personnel should be reviewed (e.g. bank reconciliations prepared by the chief school administrator or board designee other than the secretary as required by N.J.S.A. 18A:17-9)
- Revised sample AMR for:
 - Where the district does not maintain the treasurer's position, name the position(s) of other appropriate personnel responsible for those records
 - Surety bond for board secretary where no treasurer of school moneys
 - Added chief school administrator to employee's responsible for certification of payrolls
 - Added health benefits withholding transmissions from the agency account to the general fund
 - Clarified payroll responsibility where the district maintains, and does not maintain, the position of the treasurer of school moneys position
 - Revised sample findings for optional treasurer's position and added sample finding for appointment of ineligible individual to treasurer's position
 - Deleted "other admin (290)"
 - Revised sample bank reconciliation finding for optional treasurer
 - Revised fund balance terminology to conform with GASBS No. 54
 - Added Unbudgeted TPAF Wage Freeze Grant Funding to section 3 of excess surplus calculation

Section III-5

- Added GASBS No. 54 is required FY 6/30/11. Minimal changes have been made to the titles for reserved (now restricted) fund balance. Reserve for encumbrances must continue to be reported in Audsum as Year End Encumbrances – Committed and Assigned (line 10020)
- Clarified that there is no fund balance reported for Education Jobs Fund (EdJobs). The combined appropriations from the Budgetary Comparison Schedules (General Fund and Ed Jobs Fund) should be entered in the Audsum

- Revised the explanatory section on beginning balance and ending balance of tuition reserve reporting through Audsum to provide details applicable to fiscal year end June 30, 2011, including the deletion of Audsum account 10017 (Tuition Reserve – Two Year’s Prior Adjustment)
- In Audsum, removed Early Childhood Capital Reserve Fund Balance (10035); revised account title Total Restricted Fund Balances to Total - Reserves and Encumbrances (10060); and revised account title for Unreserved-Undesignated Operating Budget to Unassigned Fund Balance – Operating Budget (10070)

Section III-6

- Added “optional” to treasurer’s report references
- Revised checklist for changes to the Preschool Education Aid program requirements
- Deleted E.O. 14 transfers question that is not applicable to fiscal year end June 30, 2011

Section III-7

- No change

Section III-8

- Added question 7(a) for Education Jobs Fund
- Updated questions for GASBS 54 (Fund Balance) terminology (where appropriate)
- Updated question 20 terminology - Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance

OVERVIEW

Financial Accounting for New Jersey School Districts (The Audit Program) is updated annually and includes instructions for both district personnel and public school accountants regarding preparing for and performing the annual audit. The full text of *The Audit Program* is available on the web site <http://www.nj.gov/njded/finance/fp/audit/>.

The *Comprehensive Annual Financial Report (CAFR)* is the basis for the annual audit. New Jersey state law and administrative code (*N.J.S.A.18A:4-14* and *N.J.A.C. 6A:23A-16*) require school districts to follow generally accepted accounting principles (GAAP). These principles are augmented with the release of statements from the Governmental Accounting Standards Board (GASB). The Outline for Comprehensive Annual Financial Report section at the end of this introduction provides additional information on the CAFR.

Guidance unique or specific to districts that are required to use school-based budgeting (SBB) is included in the applicable sections of this Audit Program as follows:

Description	Section-Chapter	Rationale
Refer to website for guidance on CAFR schedules specific to districts required to use school-based budgeting	Intro-xvi	Districts required to use school-based budgeting must prepare schedules reporting activity and balances in fund 15, the subfund used for school level accounting and reporting.
Excess surplus calculation modification for expenditures allocated to restricted federal resources and capital leases with blended funds	II-10	Fund 15 expenditures blended with federal must be allocated to state and local.
TPAF and FICA Reimbursement Calculation for SBB districts	II-20	The blending of federal, state and local funds in the school-based budgets recorded in Fund 15 necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources.
Schoolwide Programs description and compliance	II-SA	Expanded explanation of schoolwide programs as related to Title I and how these are treated for preparation of the Schedule of Federal Expenditures
Blended resources and computing Type A and Type B programs	II-SA	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.

Reference Materials

Reference materials published by outside organizations are available to provide guidance in report preparation. The Government Finance Officers Association (GFOA) publishes *Governmental Accounting, Auditing and Financial Reporting*, commonly known as the "blue book" that is used nationwide as a reference tool for CAFR preparation. The American Institute of Certified Public Accountants (AICPA) issues *Checklist and Illustrative Financial Statements for State and Local Governmental Units* that is a recommended reference for disclosure requirements. The Association of School Business Officials International offers a Certificate of Excellence in Financial Reporting by School Systems Program that awards certificates to those annual reports that fully meet the requirements established by GAAP and publishes a self-evaluation worksheet that may also be used as a tool in report preparation.

Responsibility/Government Auditing Standards

N.J.A.C. 6A:23A-16.2(i) requires the issuance of a CAFR by every school district, along with interim financial statements to facilitate management control of financial operations. Financial statements are the responsibility of the board of education's management and are its representation of the financial position at a given point in time and the operations of the district during a period of time.

The federal Single Audit Act requires that organizations that expend \$500,000 or more in federal financial assistance have an audit conducted in accordance with guidance provided in the Office of Management and Budget Circular A-133. NJ Circular Letter 04-04-OMB requires that New Jersey school districts that expend \$500,000 or more in State and/or federal financial assistance in their fiscal year have an annual single audit performed in accordance with the Single Audit Act, OMB Circular A-133 and State policy. *Government Auditing Standards July 2007 Revision*, commonly referred to as the "Yellow Book", established generally accepted government audit standards (GAGAS) and is available through the website: <http://www.gao.gov/govaud/ybk01.htm>.

Submission/Reporting Package

The Department of Education requires the submission of the reports described below on or before the statutory deadline. The statutory submission date is the fifth day after five months (P.L.2010, c.49.) after the end of the school fiscal year. Accordingly, the deadline for submission of June 30 audits is Monday, December 5, 2011. The Commissioner has statutory authority (*N.J.S.A. 18A:23-6*) to appoint auditors for districts failing to meet the statutory due date or invoke other administrative actions but the Commissioner does not have discretion to change a statutory requirement, such as the due date. *N.J.S.A. 18A:7A-55* includes late submission of the annual audit as one of the conditions for appointment of a state monitor.

1. The CAFR

The CAFR is the district's official annual report. It should include all funds of the district. It is organized into three primary sections: 1) an introductory section, 2) a financial section, and 3) statistical section. If a district falls under the reporting requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and the revised OMB Circular 133, and/or the reporting requirements under NJOMB Treasury Circular Letter 04-04, the CAFR will also contain a single audit section. The CAFR will strictly adhere to the Outline of the CAFR located at the end of this introduction. The report must include all sections, letters and exhibits in the applicable sample CAFR as they apply to each school district as well as any additional statements, schedules, and disclosures required under the circumstances of the district. The report must also include all applicable single audit opinion letters prepared by the local school district's auditor in the single audit

section. Links to sample single audit letters and New Jersey specific reference are provided in Section III – Chapter 2 of *The Audit Program*.

2. The Auditor’s Management Report on Administrative Findings, Financial, Compliance and Performance (AMR)

This separate report will serve as the auditor’s report to management. This report must be submitted together with the CAFR to the Department of Education in order to comply with Finance Policy Bulletin 200-1. A sample Auditor’s Management Report is located in Section III – Chapter 4.

3. Audit Summary Worksheet

The Audit Summary Worksheet (Audsum) diskette is to be completed by the auditor and given to the district board secretary/business administrator. The board secretary/business administrator is responsible for carefully reviewing the reports generated by the Audsum diskette and signing off on the transmittal letter as to the accuracy of the information. The board secretary/business administrator is responsible for the transmission of the Audsum data via the DOENET to the Department of Education by the same due date as the CAFR. This information is used by the Department of Education for a variety of purposes, including downloading into the actual column of the budget software issued by the department. **It is very important that auditors and district personnel pay particular attention to the accuracy of the data to avoid having to resubmit the data. If data is resubmitted due to an error in the CAFR, revised pages of the CAFR must be sent.**

The procedure for submission of the CAFR and the AMR was adopted by the Department of Education to conform to the common practice for CAFR presentation followed by other school districts throughout the country. The two reports have separate, distinct purposes. The CAFR is the financial report presented to the board for conformance with GAAP. The AMR is the auditor’s report to the board of education of his/her findings and recommendations as a result of the audit. In accordance with OMB Circular A-133, the CAFR will also be submitted to the Federal Audit Clearinghouse as part of the reporting package along with the data collection form in cases where a federal single audit of the district is required. **In conformity with the federal due date, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education. Accordingly, the CD-ROMs of audit items submitted may be submitted on time without including the archived copy of the SF-SAC which then must be submitted under separate cover.**

USOMB Circular A-133 and NJOMB Circular Letter 04-04 require that the Schedule of Findings and Questioned Costs contain, but not be limited to, significant deficiencies in internal control over major programs, material non-compliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program, and known questioned costs which meet the threshold as defined in Circular A-133. *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." Accordingly, the AMR must include **all** findings, including any items contained in the Schedule of Findings and Questioned Costs.

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

New Jersey statute (*N.J.S.A.18A:4-14*) requires that school districts maintain bookkeeping consistent with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The financial reporting requirements of GAAP include the issuance of a CAFR.

The financial statements are the responsibility of the board of education's management. The General Accounting Office (GAO) *Government Auditing Standards* (see the Introduction to this *Audit Program*) provide that an auditor may not audit financial statements prepared by that same auditor.

Districts should reference the NJ Department of Education (NJDOE) website at www.state.nj.us/njded/finance/fp (click on CAFR) for selected sample statements, including the basic financial statements and budgetary comparisons which are in excel files that can be downloaded by district staff. Information on Management Discussion and Analysis (MD&A) requirements and guidance on financial reporting for districts required to use school-based budgeting are also available at that web site to assist auditors and district staff. **The illustrative statements and schedules are not intended to be boilerplate nor inclusive of every situation.**

The NJDOE requires that each governmental fund be treated as a major fund in the fund statements for GASB 34 presentation. Questions relating to the preparation of NJ school district CAFRs may be emailed to doecafr@doe.state.nj.us.

The format of the CAFR should adhere to the Outline and numbering of the exhibits as shown on the following pages. If a section or exhibit is not applicable to the school district, the notation "N/A" should be indicated against that item in the Table of Contents.

Auditor's Note – Auditors should refer to the website <http://www.nj.gov/education/finance/fp/cafr/> for guidance on schedules that specifically relate to districts that are required to use school-based budgeting.

The CAFR includes the Introduction, Financial, Statistical, and Single Audit Sections. The contents of each section are as follows:

Introductory Section – Although not required by GAAP, this section is used by the GFOA “Blue Book” and is intended to familiarize the reader with the organizational structure of the school district and information useful to the reader to evaluate the district’s financial condition. It is important that the letter of transmittal avoid duplicating information already provided in detail elsewhere in the CAFR.

Financial Section – This section includes the: 1) independent auditor’s report, 2) MD&A, 3) basic financial statements including the district-wide statements (accrual basis for governmental and business-type activities), fund statements (modified accrual basis for governmental funds, accrual basis for proprietary funds and for fiduciary funds), and notes to financial statements, 4) Required Supplementary Information (RSI) other than MD&A including budgetary comparison schedules, 5) Other Supplementary Information including combining and individual fund statements, and additional schedules. Certain combining schedules may not be applicable. For example, if a district has only two programs in the Proprietary Fund, a combining schedule would not be necessary. The School Level Schedules (D series in the Outline) should only be included for districts that are required to use school-based budgeting. Indicate by “N/A” when a schedule is not applicable.

Statistical Section – This section is intended to provide CAFR users with a broader and complete understanding of the school district and its financial matters than is possible from the financial statements and supporting schedules included in the financial section. GASB Statement No. 44 (GASB 44) revised the statistical schedules effective for the June 30, 2006 CAFRs. Sample schedules and guidance for preparing the schedules can be found on the NJDOE web site www.state.nj.us/njded/finance/fp (click on CAFR). The Outline of the CAFR reflects these revisions. Statistical information to assist districts and auditors in preparing this section is posted on that web site (click on Audit Information, and then 2010-11 Audit Program).

Single Audit Section – This section includes independent auditor’s reports on compliance and internal control, schedules of expenditures for federal and state grants, notes to the schedules of expenditures of federal and state grants, schedule of findings and questioned costs, and a summary schedule of prior audit findings. This information is required by OMB Circular A-133 and New Jersey OMB Circular Letter 04-04.

OUTLINE OF CAFR

Page

INTRODUCTORY SECTION

Letter of Transmittal
 Organizational Chart
 Roster of Officials
 Consultants and Advisors

FINANCIAL SECTION**Independent Auditor's Report****Required Supplementary Information – Part I
 Management's Discussion and Analysis****Basic Financial Statements**

A. District-Wide Financial Statements:

- A-1 Statement of Net Assets
- A-2 Statement of Activities

B. Fund Financial Statements:

Governmental Funds:

- B-1 Balance Sheet
- B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances
- B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Proprietary Funds:

- B-4 Statement of Net Assets
- B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets
- B-6 Statement of Cash Flows

Fiduciary Funds:

- B-7 Statement of Fiduciary Net Assets
- B-8 Statement of Changes in Fiduciary Net Assets

Notes to the Financial Statements**Required Supplementary Information – Part II**

C. Budgetary Comparison Schedules:

- C-1 Budgetary Comparison Schedule – General Fund
- C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual **(if applicable)**
- C-1b **Education Jobs Fund Program – Budget and Actual (if applicable)**
- C-2 Budgetary Comparison Schedule – Special Revenue Fund

Notes to the Required Supplementary Information

- C-3 Budget-to-GAAP Reconciliation

Other Supplementary Information

- D. School Based Budget Schedules (**if applicable**):
- D-1 Combining Balance Sheet
 - D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual
 - D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual
- E. Special Revenue Fund:
- E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
 - E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis
- F. Capital Projects Fund:
- F-1 Summary Schedule of Project Expenditures
 - F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis
 - F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis
- G. Proprietary Funds:
- Enterprise Fund:
- G-1 Combining Schedule of Net Assets
 - G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
 - G-3 Combining Schedule of Cash Flows
- Internal Service Fund:
- G-4 Combining Schedule of Net Assets
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 - G-6 Combining Schedule of Cash Flows
- H. Fiduciary Funds:
- H-1 Combining Statement of Fiduciary Net Assets
 - H-2 Combining Statement of Changes in Fiduciary Net Assets
 - H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements
 - H-4 Payroll Agency Fund Schedule of Receipts and Disbursements
- I. Long-Term Debt:
- I-1 Schedule of Serial Bonds
 - I-2 Schedule of Obligations under Capital Leases
 - I-3 Debt Service Fund Budgetary Comparison Schedule

STATISTICAL SECTION (Unaudited)**Page****Introduction to the Statistical Section****Financial Trends**

- 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

Revenue Capacity

- J-6 Assessed Value and Estimated Actual Value of Taxable Property
- J-7 Direct and Overlapping Property Tax Rates
- J-8 Principal Property Taxpayers*
- J-9 Property Tax Levies and Collections

Debt Capacity

- J-10 Ratios of 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

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 Required Maintenance Expenditures
by School Facility
- J-20 Insurance Schedule

*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

SINGLE AUDIT SECTION

- K-1 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*
- K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04
- K-3 Schedule of Expenditures of Federal Awards, Schedule A
- K-4 Schedule of Expenditures of State Financial Assistance, Schedule B
- K-5 Notes to the Schedules of Awards and Financial Assistance
- K-6 Schedule of Findings and Questioned Costs
- K-7 Summary Schedule of Prior Audit Findings

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