

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

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

The Auditor’s Management Report on Administrative Findings - Financial, Compliance and Performance (Auditor’s Management Report or AMR), is the auditor’s report to the board of education/board of trustee of the findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of December 5, 2014.

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

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

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

This section is applicable to school districts and charter schools unless specifically identified as applicable/not applicable to either charter schools or school districts. The section provides a sample of the Auditor’s Management Reports and auditors are cautioned to tailor the report language to the school district or charter school as appropriate. **This sample AMR is not meant to be a boilerplate and should be adapted to the circumstances of the individual district/charter school audit.**

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

- A. Table of Contents
 - B. Report of Independent Auditors
 - C. Comments, Findings and Recommendations
 - D. Schedule of Meal Count Activity [if applicable]
 - E. Schedule of Audited Enrollments
 - F. Excess Surplus Calculation
- A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.
- B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample in this chapter may be expanded to include an opinion on the report if that is the individual firm's policy. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditor’s reports included in the CAFR.

- C. The Comments, Findings and Recommendations section includes items noted during the audit that require comments and recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's/charter school's CAFR. Such items should be numbered sequentially (e.g. 2014 - x) and if the finding is also included in the CAFR, numbering should be consistent between the two reports. Repeat audit findings should be cross-referenced to the current year finding (2014-x). The comments and recommendations must be specific under the following applicable headings:

1. Administrative Practices and Procedures
2. Financial Planning, Accounting and Reporting
3. School Purchasing Programs
4. School Food Service
5. Student Body Activities
6. Application for State School Aid (N/A to charter schools)
7. Charter School Enrollment System/Charter School Aid
8. Pupil Transportation (N/A to charter schools)
9. Facilities and Capital Assets
10. Miscellaneous
11. Follow-up on prior year findings

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

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

Where a non-compliance issue is discovered by the auditor and has been corrected by the school district or charter school within that same fiscal year, the finding must be reported in the AMR and the recommendation should state that the conditions/finding(s) were corrected within the fiscal year under audit.

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

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)
 - *N.J.A.C.6A:23A-16.4(c)* "The independent school auditor shall verify the adequacy of the treasurer's surety bond which is required by *N.J.S.A. 18A:17-32*, and shall include appropriate comment, and a recommendation, if needed, in the annual school audit report."
 - *N.J.S.A. 18A:13-13* provides that in a district/charter school which does not have a treasurer of school moneys, the secretary shall give bond in such amount and with such surety as the board shall direct.
- Whether appropriate billing adjustments have been made for tentative and actual tuition charges. (N/A to charter schools)
- Examination of Claims

- Salary Accounts
- That encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.
- A certification that district/charter school funds were provided and expended in the proper GAAP account/code based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.
- Whether the district/charter school has accurately completed its requests for social security reimbursement for TPAF members.
- Advertisement for bids in accordance with statutory requirements. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should be quoted.
- Limitation of Principal Amount of Bonds 18A:24-19. (N/A to charter schools)
- The condition of the records, with both positive and negative findings for:
 - 1) Athletic Association
 - 2) Food Services
 - 3) Student Activity Funds
 - 4) Secretary (status of secretary's accounting records must be noted)
 - 5) Secretary and Treasurer's records/reports. Where the district/charter school does not maintain the treasurer's position, the review should encompass the condition of the records/reports formerly kept by the treasurer that are now the responsibility of other district/charter school personnel
 - 6) Capital Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in *N.J.A.C. 6A:23A-16.4*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

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

- D.** The separate federal and state Schedules of Meal Count Activity provides a summary of the results of the audit testing of the number of meals claimed for reimbursement under federal and state subsidy programs. The schedules calculate a total net over claim or under claim based on the difference between the meal count tested by the auditor and meal count claimed by the district/charter school. Eligibility application exceptions/reclassifications must be quantified and included in the schedules. A finding and recommendation should be included for any differences noted. **Each of these schedules are included only if the Child Nutrition Program is a major program audited in the current audit period in accordance with federal OMB Circular A-133.**

- E. For school districts, the Schedule of Audited Enrollments provides a summary of the results of the audit testing of the Application for State School Aid (ASSA) and the District Report of Transported Resident Students (DRTRS). It documents the information reported on the ASSA in comparison to the district workpapers and compares the information in the district workpapers to the underlying supporting data, quantifying any errors noted. It also documents the information reported on the DRTRS and the amount verified. A finding and a recommendation should be included for any differences noted.
- F. For charter schools, the Schedule of Audited Enrollments provides a summary of the results of the audit testing of the Charter School Enrollment System (CHE), NJ School Register and submission of enrollment counts to the Department. It documents the information reported on the submission to the department in comparison to the charter school workpapers and compares the information in the charter school's workpapers to the underlying supporting data, quantifying any errors noted. A finding and a recommendation should be included for any differences noted.
- G. For school districts, the Excess Surplus Calculation documents the calculation of excess surplus for the district as required by *N.J.S.A. 18A:7F-7*, providing the maximum unassigned fund balance which regular districts may have at year end as 2 percent of adjusted audit year general fund expenditures. County vocational school districts are subject to the 6 percent surplus limitation.

Charter schools are not subject to the excess surplus limitations. Charter school auditors are required to document the calculation of excess surplus pursuant to *N.J.S.A. 18A:7F-7* solely for the purpose of adherence to *N.J.A.C. 6A:23A-22.4(e)*, which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends "significantly less than budgeted and has accumulated a sizable surplus."

Auditor's Note – Auditors should review Section II-10.23 of this *Audit Program* for guidance on the Excess Surplus Calculation for districts required to use school-based budgeting.

Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the Criteria or specific requirement (what should be); Condition (what is); Context (describe the work performed that resulted in the finding); Effect (the difference between what is and what should be); Cause (why it happened); Recommendation; and, Views of responsible officials and planned corrective actions. Auditors should reference USOMB Circular A-133 (Section .510) for specific requirements on the reporting of audit findings in the Schedule of Findings and Questioned Costs when a federal single audit of the district/charter school is required. The AICPA's Example 13-6 *Illustrative Schedule of Findings and Questioned Costs* is available in the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*. A revision to the Guide is anticipated July 2014.

Effective for fiscal year end June 2013 school district audits, The Governmental Accounting Quality Control (GAQC) has posted to the AICPA website illustrative reports 13-1 through 13-3 *Reports on Compliance for Each Major Federal Program; Reports on Internal Control Over Compliance; and Reports on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133* updated for the clarity auditing standards and the 2011 edition of *Government Auditing Standards*. These illustrative audit reports are excerpts from Appendix A of chapter 13 of the 2013 AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits (GAS- A133)*. These report illustrations, as well as 13-4 through 13-6 (13-6 the aforementioned *Illustrative Schedule of Findings and Questioned Costs*) are incorporated into the 2014 edition of the *GAS-A133 Guide* available for purchase from the AICPA website July 2014. Auditors are encouraged to monitor the AICPA website for the posting of illustrative report 13-6, Schedule of Findings and Questioned Costs.

When repeating the findings in the Auditor's Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditor's Management Report.

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

Table of Contents

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

[* Alternatively, where the district/charter school does not maintain the treasurer's position, records and reports prepared and maintained by other district/charter school 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)]

(SAMPLE AMR)

Report of Independent Auditors

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

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

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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

Licensed Public School Accountant
No. _____
Firm Name

Date _____

(SAMPLE AMR)

Administrative Findings - Financial, Compliance and Performance**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys [or name the position(s) of other appropriate personnel responsible for those records where the district /charter school does not maintain the treasurer's position], the activities of the Board of Education/Board of Trustees, and the records of the various funds under the auspices of the Board of Education/Board of Trustees.

Administrative Practices and Procedures**Insurance**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the district's/charter school's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Anne Edwards	Board Secretary/School Business Administrator	\$10,000.00
Michael E. Leonard	Treasurer (or where no treasurer of school moneys, the board secretary)	\$145,000.00

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

Tuition Charges (N/A to charter schools)

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting**Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Payroll Account (continued)

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

[Where the district /charter school employs a treasurer of school moneys] Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

[Where the district/charter school does not employ a treasurer of school moneys] Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Finding:

The required certification (E-CERT1) [not applicable to charter schools] of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was not was not filed by the March 15 due date [or was not filed].

Recommendation:

The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14.4 and submit the E-CERT1 if not yet submitted.

Finding:

Reporting of employee compensation for income tax related purposes did not comply with federal (or state) regulations regarding the compensation which is required to be reported. [State what noncompliance issue was, e.g., lease value of vehicle not included in W-2, compensation at separation was deferred over five years by employee choice and should be included in W-2, fringe benefits were erroneously included in base salary for pension calculation purposes].

Recommendation:

The district/charter school should establish internal controls to ensure that compensation is properly recorded and reported, including taxable fringe benefits and other additional forms of compensation as applicable. District/charter school should also send corrected reporting to the applicable tax authority.

Finding:

The certifying officer did not maintain documentation of his/her analysis of the district's decision to classify a professional service provider (defined at N.J.S.A. 18A:18A-2(h)) as an employee of the school district in violation of Local Finance Notice 2007-28.

Recommendation:

The district should establish internal controls to ensure that employee versus contractor decisions for professional service providers are documented within the employee's personnel file.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Finding:

District/charter school personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for

Reserve for Encumbrances and Accounts Payable (continued)

accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation:

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

Finding:

Payments were made without proper authorization for amounts which exceeded the original approved purchase order amounts.

Recommendation:

The School Business Administrator should review the payments and purchase orders to ensure that all payments are properly authorized and consistent with *N.J.A.C. 6A:23A-6.10(a)*.

Travel

Finding:

The district /charter school did not obtain prior written approval of the Executive County Superintendent for a travel event that exceeded \$5,000 as required by *N.J.A.C. 6A:23A-5.9*.

Recommendation:

The district/charter school should implement a process for submitting request for approval to the Executive County Superintendent at least 10 working days in advance of a travel event with a total cost exceeding \$5,000.

Finding:

The district/charter school did not have an approved board travel policy as required by *N.J.A.C. 6A:23A-6.13* and *N.J.S.A. 18A:11-12*.

Recommendation:

The district board of education/board of trustees should adopt a travel policy that complies with *N.J.S.A. 18A:11-12*.

Finding:

Payment for travel by an employee was approved after completion of the travel event.

Recommendation:

The district board of education/board of trustees should revise its travel policy to ensure that payments will not be ratified after completion of the travel event unless the policy excludes regular business travel from the pre-approval requirement. *N.J.A.C. 6A:23A-7.2(d)*

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the

coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, a transaction error rate of 1.90 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

Finding:

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

Recommendation:

Districts/charter schools should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23A-16.2(f)*.

B. Administrative Classification Findings

Finding:

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

Recommendation:

See recommendation below.

Finding:

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

Recommendation:

See recommendation below.

Finding:

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

Recommendation:

See recommendation below.

Finding:

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

Recommendation:

Districts/charter schools should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23A-16.2(f)*.

Finding:

During our test of transactions it was noted that the salary of the business administrator was allocated to instruction without documentation that supports the business administrator provided direct classroom instruction as part of the district's/charter school's regular curriculum.

Recommendation:

See recommendation below.

Finding:

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

Recommendation:

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

Finding:

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

Recommendation:

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

Board Secretary's Records

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

Finding:

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

Recommendation:

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

Finding:

Acknowledgment of the board's receipt (non-receipt) of the Board Secretary's and Treasurer's [where the district/charter school maintains the position] monthly financial reports was not included in the minutes.

Recommendation:

The board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's [where the district/charter school maintains the position] monthly reports.

Board Secretary's Records (cont'd.)

Finding:

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (*N.J.A.C. 6A:23A-16.10*).

Recommendations:

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

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

Finding:

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

Recommendation:

Payment should not be made until the receipt of goods.

Finding:

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

Recommendation:

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

Finding:

The district/charter school is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services.

Recommendation:

The district/charter school should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

Finding: (N/A to charter schools)

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

Recommendation: (N/A to charter schools)

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under *N.J.A.C. 6A:23A-13.3(f)*, which is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Board Secretary's Records (cont'd)

Finding: (N/A to charter schools)

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

Recommendation (N/A to charter schools)The district should obtain board approval by a two-thirds affirmative vote of the authorized membership of the school board for any transfer from an advertised appropriation account as defined under *N.J.A.C. 6A:23A-13.3(f)*, which is cumulatively more than 10 percent of that amount.

Finding: (N/A to charter schools)

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

Recommendation: (N/A to charter schools)

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

Finding: (N/A to charter schools)

The district transferred funds to School Administration that on a cumulative basis exceeded 10 percent of the total amount of the original budget for School Administration without proper department approval.

Recommendation: (N/A to charter schools)

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

Finding: (N/A to charter schools)

The district recorded unbudgeted revenue from the sale of equipment and subsequently appropriated additional funds without department approval. Proceeds from the sale of equipment are not one of the revenue sources pursuant to *N.J.A.C. 6A:23A-13.3(d)* for which department approval is not required.

Recommendation: (N/A to charter schools)

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

Finding: (N/A to charter schools)

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

Recommendation: (N/A to charter schools)

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

Board Secretary's Records (cont'd)

Finding: (N/A to charter schools)

The district transferred surplus not included in the original budget certified for taxes to capital reserve during the year by board resolution without voter approval. [Note to auditor: A district that has moved to a November election and included a deposit to capital reserve in the original budget certified for taxes certified by the board of education and approved by the executive county superintendent, is within their budget cap and is deemed to have met the “voter approval” requirement of N.J.A.C. 6A:23A-14.1 (c)(1).]

Recommendation: (N/A to charter schools)

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

Finding:

The district was the recipient of Community Development Block Grant (CDBG) funds and did not record the receipts and expenditures of CDBG funds separately in the general ledger or report the receipts and expenditures of CDBG funds separately (fund 19) of the monthly Board Secretary's Reports.

Recommendation:

Receipts and expenditures must be accounted for and reported in accordance with guidance issued by the oversight agency.

Treasurer's Records (optional position)

The following items were noted during our review of the records of the Treasurer [or board secretary or chief school administrator if there is no Treasurer].

Finding:

The treasurer's records were maintained by an employee of the board appointed to the position of Treasurer of School Moneys.

Recommendation:

The board must appoint a suitable person except a member or employee of the board as Treasurer of School Moneys.

Finding:

The Treasurer [or chief school administrator or board designee other than the board secretary if there is no treasurer] did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (N.J.S.A. 18A:17-9).

Recommendation:

Each month, the Treasurer [or chief school administrator or board designee other than the board secretary if there is no treasurer] should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:

Not all cash receipts were promptly deposited. (N.J.S.A. 18A:17-34, 18A:17-9.1)

Recommendation:

The Treasurer [the board secretary if there is no treasurer] should promptly deposit all cash receipts.

Treasurer's Records (optional position) (cont'd)

Finding:

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

Recommendation:

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

Pupil Transportation (N/A to charter schools)

Our audit procedures included a test of on roll status reported in the 2012-13 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized. Note to auditor: Refer to Section II-SA of this Audit Program for E.S.E.A. flexibility waiver information that may affect requirements that school districts would otherwise implement during the 2012-13 and 2013-14 school years.

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

Finding:

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

Recommendation:

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

Findings:

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

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

E.S.E.A./NCLB (cont'd)

Recommendation:

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

Findings:

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

Recommendation:

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

Other Special Federal and/or State Projects

The district's/charter school's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated the following areas of noncompliance:

I.D.E.A. Part B

Finding:

Separate accounting was not maintained for each approved project.

Recommendation:

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

Finding:

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

Recommendation:

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

T.P.A.F. Reimbursement

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

Nonpublic State Aid (N/A to charter schools)

Finding:

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

Recommendation:

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website:

<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

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

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$18,300 for 2013-14.

The district board of education/board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A.* 18A:18A-4, amended.

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

Finding:

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

Recommendation:

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

by a delivery service that provides certification of delivery to the sender.

Finding:

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

Recommendation:

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

Finding:

The school district/charter school entered into a contract for building maintenance services that exceeded 2 million (less than 10 million) and did not notify the Office of the State Comptroller within 20 days of award as required by N.J.S.A. 52:15C-10.

Recommendation:

The school district/charter school should adopt internal control procedures over procurement and purchasing to ensure documentation of compliance with the notification requirements imposed by N.J.S.A. 52:15C-10.

Finding:

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

Recommendation:

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

Charter Schools Only

Finding:

The charter school constructed a facility utilizing state and local school funds in violation of N.J.S.A.18A:36A-10

Recommendation:

The charter school should only utilize eligible federal or private funds for construction of a facility.

School Food Service

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

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

(If applicable) The district/charter school utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will [break even] [return a profit of at least \$_____] [incur a loss of not more than \$_____]. The operating results provision has (has not) been met.

School Food Service (cont'd)

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education/board of trustees. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications /or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

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

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

Finding:

Food service accounting records maintained by the district's/charter school's central administration office did not agree with the records maintained by the food service director.

Recommendation:

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

School Food Service (cont'd)

Finding:

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

Recommendation:

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

Finding:

Meals claimed did not agree with meal count records resulting in an over/under claim, as detailed on the Schedule of Meal Count Activity (See section II-60).

Recommendation:

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

Findings:

A number of exceptions were noted regarding free and reduced price meal applications. Applications were not properly completed or were missing. The resulting over claim/under claim has been identified by the auditor on the federal and/or state Schedules of Meal Count Activity.

Recommendation:

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

Finding:

Applications were placed in the incorrect category. The resulting over claim/under claim has been identified by the auditor on the federal and/or state Schedules of Meal County Activity.

Recommendation:

The free and reduced price meal applications should be reviewed by district/charter school personnel and properly classified as free, reduced price, or paid.

Student Body Activities

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

Finding:

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

Recommendation:

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

Finding:

Not all cash receipts were promptly deposited. (*N.J.A.C.* 6A:23A-16.12)

Recommendation:

All cash receipts should be promptly deposited.

Student Body Activities (cont'd)

Finding:

Not all cash disbursements had proper supporting documentation. (N.J.A.C. 6A:23A-16.12)

Recommendation:

Proper supporting documentation should be maintained for all cash disbursements.

Application for State School Aid (ASSA) (N/A to charter schools)

Our audit procedures included a test of information reported in the October 15, 201X Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the ASSA was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

FOR CHARTER SCHOOLS ONLY

Enrollment counts and submissions to the Department

Our audit procedures included a test of enrollment information on October 15, 2013 and the last day of school for on-roll, special education, bilingual and low-income.

Finding:

The charter school had not written procedures for the proper maintenance and recording of student enrollment data.

Recommendation:

We recommend that the charter school prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

The charter school maintained written procedures appear to be adequate for the recording of student enrollment data.

Finding:

The charter school had documentation on file for Free and Reduced Lunch but never forwarded copies to the resident district.

Recommendation:

All documentation, for which state aid is based, must be forwarded to the resident district.

Finding:

There were two instances where a student enrolled in the charter school was not in attendance for 10 days and was not dropped from the charter school's register until 20 days after the last known day of

attendance. According to the Department's school register instructions, the charter school's responsibility is to ensure the attendance of those students enrolled in their school. A student who has been absent 10 days for an unknown reason must be reported as a dropout. If the student is reported as a dropout, the charter school must immediately notify the district of residence in writing of this condition on the 10th day.

Recommendation:

The charter school must make a concerted effort to notify the resident district of school dropouts in a timely manner in accordance with school register instructions.

Finding:

The charter school reported a student on the Charter School Enrollment System and subsequently received charter school aid for a special education student who is attending a private school for the disabled. The educational costs for the outside placement at the private school are paid by the resident school district and not the charter school.

Recommendation:

The charter school must establish and implement procedures to ensure that any student attending a private school for the disabled is "dropped" from the charter school reporting to ensure that the district of residence is not double-billed for the student.

Finding:

The charter school reported full Average Daily Enrollment for a student on the Charter School Enrollment System (CHE) and subsequently received 100% of eligible charter school aid for student who is attending a county vocational program. County vocational schools are funded directly by the state for all enrolled students.

Recommendation:

The charter school must establish and implement procedures to ensure that the enrolled days of any student attending a county vocational program are reduced in the CHE to reflect that the student is only enrolled at the charter school part-time so as to ensure that the charter school is not receiving overpayment from the district of residence.

Finding:

The charter school reported special education classification on the Charter School Enrollment System for a student who was identified and began receiving related services subsequent to October 15th. Students identified after October 15th must be reported in the subsequent year.

Recommendation:

The charter school must establish and implement procedures to ensure reporting of Special Education Categorical Aid only for students who are identified and receiving related services prior to the October 15th ASSA reporting deadline.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations noted as current year finding "2014-X:"

Approved budgetary line accounts should not be over expended. (2013-X)

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). Corrective action had been taken on all findings in the report dated XX/YY/ZZ with the exception of the finding listed below. This finding is also included in the Schedule of Findings and Questioned Costs.

During and after the preparation and completion of the Application for Extraordinary Aid (EXAID) and supporting work papers in the area of in-district or charter school costs, the district/charter school did not ensure that costs were submitted in accordance with EXAID directions published by the Division of Finance. (2013-X)

[If there were no prior year findings and no OFAC audit report findings, indicate “Not Applicable” in this section. Do not omit the section.]

Acknowledgment

We received the complete cooperation of all the officials of the school district/charter school and I greatly appreciate the courtesies extended to the members of the audit team.

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY
ANYTOWN SCHOOL DISTRICT/CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Click on the link below to access page III-4.23 containing the sample federal (III-4.23a) and state (III-4.23b) Schedule(s) of Meal Count Activity:

[ScheduleofMealCountActivity.xlsx](#)

**Anytown School District/Charter School
Application for State School Aid Summary
Enrollment as of October 15, 2013**

School Districts Only

To link to the 3 page sample Schedule of Audited Enrollments, click on the link below:

[63013ASSA.xlsx](#)

Select tab ASSA 1 of 3 to print page III-4.26 of the Audit Program.

Select tab ASSA 2 of 3 to print page III-4.26a of the Audit Program.

Select tab ASSA 3 of 3 to print page III-4.26b of the Audit Program.

Charters Schools Only

To link to the sample Schedule of Audited Enrollments as of October 15th, click on the following link:

[CharterSchSchedOfAuditEnroll.xls](#)

Select the tab entitled “October 15”

To link to the sample Schedule of Audited Enrollments as of the last day of school, click on the following link:

[CharterSchSchedOfAuditEnroll.xls](#)

Select the tab entitled “Last Day of School”

EXCESS SURPLUS CALCULATION

On the following pages are the sample calculation worksheets for regular school districts, charter schools, and for county vocational districts. See Section II, Chapter 10 for the related discussion on EXCESS SURPLUS calculation. Districts required to use school-based budgeting should follow the sample calculation on page III-4.32 and refer to section II-10 of this Audit Program.

N.J.S.A. 18A:7F-7 requires that excess surplus for regular school districts and charter schools is calculated using 2 percent for June 30, 2005 and thereafter. Pursuant to P.L.2007, c.62, the minimum is 250,000, effective with the year ending June 30, 2007. County vocational school districts are subject to 6 percent surplus as included in either Part A or Part B of the 6 percent calculation. The illustrations that follow show the regular district calculation separately from the county vocational district sample.

Charter schools are not subject to the excess surplus limitations. Charter school auditors are required to document the calculation of excess surplus pursuant to *N.J.S.A.* 18A:7F-7 solely for the purpose of adherence to *N.J.A.C.* 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends "significantly less than budgeted and has accumulated a sizable surplus."

CALCULATION:

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

Note that beginning with the excess surplus calculation for the year ending June 30, 2012 the transfer to food services is no longer an adjustment (increase) to total general fund expenditures. This was first introduced in supporting documentation item 9 on page 123 of the 2012-13 Budget Guidelines and remains applicable to audited excess surplus at June 30, 2014.

School Bus Advertising Revenue:

Districts were provided guidance to budget and recognize current year school bus advertising revenue on line 315, 10-1992. Under *N.J.S.A.* 18A:7F-7.1 and *N.J.S.A.* 18A:39-31, an adjustment to the audited excess surplus calculation is permitted in the year revenue earned under a school bus advertising contract is recognized by the district. Statute doesn't state that the district is limited to the amount not used to reduce fuel costs; accordingly, the full amount may be used as an adjustment to excess surplus in the year of recognition/receipt only. Refer to illustration on page III-4.29 – Line (J3).

N.J.S.A. 18A:39-31 requires that 50 percent (50%) of recognized school bus advertising revenue be used to offset the fuel costs of providing pupil transportation services. Of the total revenue recognized, any portion of the 50% required by statute to be used as an offset to fuel costs in the year of revenue recognition, but not used for that purpose **must** be established as a restricted fund balance at year end. Report the restricted year end balances on lines 90028 (Bus Advertising Revenue Reserved for Fuel Costs – Current Year Adjustment), and 90029 (Bus Advertising Revenue Reserved for Fuel Costs – Prior Year Adjustment). Include the amount(s) as adjustments in the "Detail of Other Restricted Fund Balance" calculation (refer to illustration on page III-4.30 of this Audit Program). Note that the school district budget software will preload these amounts from Audsum onto the Recapitulation of Balances Line 15 in the columns for the respective years. The prior year balance in this reserve (90029) was budgeted in the subsequent year's budget (2014-15) and the current year balance in this reserve (90028) must be budgeted in the 2nd subsequent year's budget (2015-16). An edit will verify that the amounts on lines 90028 and

90029 are budgeted as a revenue source. Line 90028 will preload onto Line D-2 of the budgetary calculation of Additional Excess Surplus report in the 2015-16 budget software.

In the recapitulation of fund balance reported at the end of the Budgetary Comparison Schedule (Exhibit C-1), the reserve for each of two possible years should be reported separately. Separate lines are provided in the Audsum data collection (line 90028 for current year and line 90029 for subsequent year) for each applicable year's reserve. GASBS No. 54 requires the further categorization of the bus advertising reserve for fuel costs account balance on the Governmental Funds Balance Sheet (Exhibit B-1). Based upon the withdrawal requirements, the bus advertising reserve for fuel costs has significant externally imposed restrictions on its use and should be categorized as "Restricted" fund balance. The same categorization is applicable to the General Fund Budgetary Comparison Schedule (Exhibit C-1).

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT/CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

2013-14 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ _____ (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ _____ (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)

Adjusted 2013-14 General Fund Expenditures [(B)+(B1s)-(B2s)] \$ _____(B3)

2% of Adjusted 2013-14 General Fund Expenditures	
[(B3) times .02]	\$ _____ (B4)
Enter Greater of (B4) or \$250,000	\$ _____ (B5)
Increased by: Allowable Adjustment *	\$ _____ (K)

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

SECTION 2

Total General Fund - Fund Balances @ 6/30/2014 (Per CAFR Budgetary Comparison Schedule C-1)	\$ _____ (C)
Decreased by:	
Year-end Encumbrances	\$ _____ (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ (C3)
Other Restricted Fund Balances ****	\$ _____ (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ _____ (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ _____ (U1)

SECTION 3

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

Recapitulation of Excess Surplus as of June 30, 2014

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

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid; Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10); Extraordinary Aid; Additional and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ _____ (K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amounts must agree to the June 30, 2014 CAFR and must agree to Audit Summary Line 90030.

**** Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Emergency reserve	\$ _____
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve – current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve –prior year	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ _____ (C4)

The following example illustrates the proper calculation of the 2 percent excess surplus for districts not required to use school-based budgeting (SBB). Note that the references (a), (b), etc. are for purposes of this illustration only.

Example: The school district had total general fund expenditures (from exhibit C-1 of CAFR) of \$7,500,000. Included in the general fund expenditures were “On-Behalf State Aid Payments” (TPAF Pension & Social Security) of \$405,000 and Assets Acquired Under Capital Lease of \$182,000. General fund transfers to other funds not included in the general fund expenditures of the CAFR, but added to the calculation, Transfer from Capital Outlay to Capital Projects of \$60,000; Transfer from Capital Reserve to Capital Projects (augment SCC/SDA grant) of \$12,000; Trans. from General Fund to SRF for Preschool - Regular of \$10,000; and Trans. from General Fund to SRF for Preschool - Inclusion of \$5,000. The district received \$2,000 in federal impact aid revenue during 2013-14 and recognized \$1,000 of School Bus Advertising Revenue during 2013-14. In the June 30, 2014 general ledger reflects that the district had the following: \$4,900 of year-end “other purposes” encumbrances reported in the “Committed” fund balance category (GASBS 54); \$9,000 legally restricted reported in the “Restricted” fund balance category (GASBS 54) from an unexpended 2012-13 additional spending proposal required to be designated/appropriated in the 2014-15 budget; \$55,000 reserved June 30, 2013 excess surplus required to be designated/appropriated in the 2014-15 budget reported in the “Restricted” fund balance category (GASBS 54); \$100,000 unreserved and designated in the 2014-15 budget reported in the “Assigned” fund balance category (GASBS 54); and \$395,000 unreserved/undesignated reported in the “Unassigned” fund balance category (GASBS 54) prior to calculating June 30, 2014 excess surplus.

2013-14 Total General Fund Expenditures	\$7,500,000 (a)	
Increased by Applicable Operating transfers:		
Transfer from Capital Outlay to Capital Projects	60,000 (b)	
Transfer from Capital Reserve to Capital Projects	12,000 (b)	
Trans. from General Fund to SRF for Preschool		
(- Regular)	10,000 (b)	
Trans. from General Fund to SRF for Preschool		
(-Inclusion)	5,000 (b)	
Decreased by:		
On-Behalf State Aid Payments	(405,000)	
Assets Acquired Under Capital Leases	<u>(182,000)</u>	
Adjusted General Fund Expenditures	7,000,000	
Applicable Excess Surplus Percentage	<u>x .02</u>	
2% of Adjusted 2013-14 General Fund Expenditures	140,000 (A)	
Greater of (A) or \$250,000	250,000	
Increased by:		
Allowable Adjustment	<u>3,000 (c)</u>	
Maximum Unreserved/Undesignated Fund Balance		\$ 253,000
Total General Fund fund balance (June 30, 2014)	\$ 563,900	
Decreased by:		
Year-End Encumbrances	(4,900)	
Legally Restricted – Designated for		
Subsequent Year’s Expenditures	(9,000) (d)	
Legally Restricted - Excess Surplus – Designated		
for Subsequent Year’s Expenditures	(55,000) (d)	
Assigned fund balance - Unreserved -- Designated		

for Subsequent Year's Expenditures	<u>(100,000) (d)</u>
Total Unassigned Fund Balance	<u>395,000</u>
Reserved – Excess Surplus (June 30, 2014)	<u>\$ 142,000(e)</u>

Recapitulation of Excess Surplus as of June 30, 2014

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures (Audsum line 90031)	\$ 55,000 (f)
Reserved Excess Surplus – (Audsum line 90030)	<u>142,000 (g)</u>
Total Excess Surplus	<u>\$ 197,000</u>

- (a) Total General Fund Expenditures obtained from June 2014 CAFR Exhibit C-1 Budgetary Comparison Schedule – General Fund.
- (b) Include operating transfer expenditures that relate to the general fund but were required to be maintained in another fund. Do not include general fund transfers to Capital Reserve or Debt Service Fund, or Facilities Grant transfer to Special Revenue.
- (c) This adjustment line is to be utilized for Impact Aid, Sale and Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, and School Bus Advertising Revenue Recognized during the current year, if applicable.
- (d) The aggregate of \$164,000 represents the total amount of General Fund fund balance appropriated in the 2013-14 General Fund budget.
- (e) If this amount is negative enter zero (-0-).
- (f) Represents surplus generated in 6/30/13, and budgeted in 2014-15.
- (g) Represents surplus generated in 6/30/14 (required to be budgeted in 2015-16).

Illustrative Excess Surplus Calculation And Instructions For Districts Required To Use School-Based Budgeting

This section is included to provide detailed instructions on preparing the excess surplus calculations in districts required to use school-based budgeting. Excess surplus is a budget related calculation using the General Fund expenditures and fund balance of the budgetary comparisons statements/schedules. The amounts used in the calculation must be taken from the Budgetary Comparison Schedule – General Fund (Exhibit C-1). The calculation for SBB districts must be adjusted to reduce the total general fund budgetary expenditures by the amount allocated to restricted federal resources in fund 15. The calculation must also separate the assets acquired under capital leases with state and local funds from those acquired with the allocated federal resources.

Sample Excess Surplus Calculation for Anytown School District (a School Based Budget District)

SECTION 1

Calculation A: 2 Percent Excess Surplus:

All districts required to use school-based budgeting are required to complete this calculation using 2 percent on line A10.

2013-14 Total General Fund Expenditures Reported on Exhibit C-1 \$ _____ (A)

Increased by Applicable Operating Transfers		
Transfer from Capital Outlay to Capital Projects	\$ _____	(A1a)
Transfer from Capital Reserve to Capital Projects	\$ _____	(A1a)
Transfer from G/F to SRF for Preschool - Regular	\$ _____	(A1a)
Transfer from G/F to SRF for Preschool - Inclusion	\$ _____	(A1a)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2		
2013-14 Adjusted General Fund & Other State Expenditures [(A)+(A1a)-(A1b)]	\$ _____	(A2)
Decreased by:		
On-Behalf TPAF Pension & Social Security Assets Acquired Under Capital Leases:	\$ _____	(A3)
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ _____	(A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired under Capital Leases:		
Assets Acquired Under Capital Leases in Fund 15 reported on Exhibit C-1a	\$ _____	(A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	_____ %	(A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ _____	(A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	\$ _____	(A8)
2013-14 General Fund Expenditures [(A2)-(A3)-(A8)]	\$ _____	(A9)
2 percent of Adjusted 2013-14 General Fund Expenditures [(A9) times .02]	\$ _____	(A10)
Enter Greater of (A10) or \$250,000	\$ _____	(A11)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned Fund Balance [(A11)+(K)]	\$ _____	(M)
Line		

Instructions for Section 1 Calculation

- (A) The total combined general fund expenditures (Funds 11-13 plus Fund 15) reported in the actual column of the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1). Note this is a balance based on budgetary amounts.
- (A1a) Include selected operating transfer expenditures that relate to the general fund but were required to be maintained in another fund. Do not include general fund transfers to food services, Capital Reserve or Debt Service Fund, or Facilities Grant transfer to Special Revenue Fund.

- (A1b) The total Fund 15 expenditures allocated to restricted federal resources reported on the districtwide Schedule of Expenditures Allocated by Resource Type – Actual for the Fiscal Year Ended June 30, 2014 (Exhibit D-2).
- (A2) Add line(s) (A1a) and subtract line (A1b) from line (A). This results in the total amount of general fund expenditures being used to calculate the maximum “Unassigned” fund balance for district required to use school-based budgeting.
- (A3) The sum of the non-budgeted TPAF pension on-behalf payment plus the non-budged TPAF social security reimbursement reported in the State Sources section of the *Budgetary Comparison Schedule – General Fund* (Exhibit C-1).
- (A4) The total Fund 10 assets acquired under capital leases amount is obtained from the Actual Operating Fund column of the *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a).
- (A5) The Fund 15 assets acquired under capital leases amount is obtained from the Actual Blended Resource Fund column of the *Combining Budgetary Comparison Schedule – General Fund* (Exhibit C-1a).
- (A6) The percentage of the overall districtwide Fund 15 expenditures, which were funded with general fund contribution or state resources. This percentage is obtained from the line entitled “Combined General Fund Contribution & State Resources” on the district-wide *Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type – Actual* (Exhibit D-2).
- (A7) The general fund and state resources portion of Fund 15 assets acquired under capital leases and is determined by multiplying the total Fund 15 assets acquired under capital leases reported on line (A5), by the combined general fund contribution and state resources percentage reported on line (A6).
- (A8) The total assets acquired under capital leases with general fund contribution and state resources. Line (A8) is the sum of lines (A4) and (A7).
- (A9) The total adjusted expenditures upon which the maximum unreserved/undesignated fund balance is calculated; the result of line (A2) minus line (A3) minus line (A8).
- (A10) This line represents 2 percent of general fund expenditures and is calculated by multiplying line (A9) by 2 percent.
- (A11) The maximum allowable amount of unreserved/undesignated fund balance, prior to allowable adjustments.
- (K) This line is calculated in Section 3 of the excess surplus calculations.
- (M) The total maximum allowable “Unassigned” fund balance. This amount is calculated here as line (A11) plus line (K).

* This adjustment line (line (K) as detailed below) is to be utilized for Impact Aid, Sale, Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, and recognized current year School Bus Advertising Revenue, if applicable. Extraordinary Aid and Additional Nonpublic School Transportation Aid for 2013-14 received after June 30 is limited to the amount of revenue recognized in the audit year that was not appropriated.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ _____	(K)
	=====	

Detail of Allowable Adjustments

Line

- (H) Line H represents the amount of Impact Aid received by the district during 2013-14. This amount is obtained from the line entitled "Federal Sources: Impact Aid" on the *Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* (Exhibit C-1a).
- (I) Line I represents the proceeds realized from the sale-lease back of textbooks and non-consumable instructional materials during the current year, and is excluded from the calculation of excess undesignated general fund balance. See the Audit Program Section II-10.13 for a more detailed discussion of this adjustment.
- (J1) Line J1 represents the extraordinary aid received after June 30 for 2013-14. This amount can only be excluded from the excess surplus calculation if the district can clearly document that they did not budget this additional aid during the 2013-14 fiscal year for which they filed an application. See Section II-10.4 for a more detailed discussion of this adjustment.
- (J2) This line is used for Additional Nonpublic Transportation Aid received after June 30, but recorded in 2013-14. This amount is only excluded from the excess surplus calculation if the district can document that they did not budget the additional aid during 2013-14.
- (J3) This line is used for School Bus Advertising Revenue recognized during 2013-14. This amount is excluded from the current year excess surplus calculation as required by *N.J.S.A. 18a:7F-7.1*
- (K) Line (K) is the sum of lines (H), (I), (J1), (J2), and (J3) and represents the total allowable adjustment to increase the maximum unreserved/undesignated fund balance.

SECTION 2:

Total General Fund – Fund Balances at June 30, 2014	\$ _____	(C)
Decreased by:		
Year-end Encumbrances	\$ _____	(C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____	(C3)
Other Restricted/Reserved Fund Balances****	\$ _____	(C4)

Assigned – Designated for Subsequent Year’s Expenditures \$ _____ (C5)

Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] \$ _____ (U)

SECTION 2 – Instructions:

Refer to Chapter II-10.XX for additional explanation of the types of reserved fund balance permitted as a decrease in this calculation.

Line

- (C) The total general fund balance at June 30, 2014 (combined Fund 10 and Fund 15) per the *Budgetary Comparison Schedule* (Exhibit C-1).
- (C1) The total general fund balance reserved for encumbrances at June 30, 2014 (combined Fund 10 plus Fund 15).
- (C2) The amount of general fund balance (combined Fund 10 and Fund 15) legally restricted for subsequent year’s expenditures. This amount is to be appropriated in the 2014-15 general fund budget.
- (C3) The June 30, 2013 excess surplus amount. This amount must be included in the Audit Summary Worksheet Line 90031, and appropriated in the 2014-15 general fund budget.
- (C4) Other reserved fund balances. (Such as Adult Ed. Programs, maintenance reserve, etc.) See required detailed statement below.
- (C5) The Assigned fund balance designated for subsequent year’s expenditures. This amount is to be appropriated in the 2014-15 general fund budget.
- (U) The total Unassigned fund balance at June 30, 2014. This amount is determined by subtracting lines (C1), (C2), (C3), (C4), (C5) from line (C). This is the amount that will be compared to the maximum Unassigned fund balance reported on line (M) to determine whether an excess surplus situation exists at June 30, 2014.

** This amount represents the **June 30, 2013** Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line **90031**.

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

- (N-1) Capital reserve at June 30, 2014.
- (N-2) Maintenance reserve minimum required under EFCFA.
- (N-3) Tuition reserve at June 30, 2014.
- (N-4) Emergency reserve at June 30, 2014.
- (N-5) School bus fuel offset reserve – current year – June 30, 2014
- (N-6) School bus fuel offset reserve – prior year – June 30, 2014

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal \$ _____
 Sale/lease-back reserve \$ _____
 Capital reserve (N-1) \$ _____

Maintenance reserve (N-2)	\$ _____	
Tuition reserve (N-3)	\$ _____	
Emergency reserve (N-4)	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve – current year (N-5)	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve –prior year(N-6)	\$ _____	
Other Restricted/Reserved Fund Balance not noted above****	\$ _____	
Total Other Restricted/Reserved Fund Balance	\$ _____	(C4)

SECTION 3:

Restricted Fund balance – Excess Surplus ***[(U)-(M)] IF NEGATIVE ENTER–0	\$=====	(E)
Summary:		
Restricted Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____	(C3)
Restricted Excess Surplus ***	\$ _____	(E)
Total [(C3) + (E)]	\$ _____	(D)
	=====	

SECTION 3 – Instructions:

Recapitulation of Excess Surplus as of June 30, 2014

Line

(C3) Line (C3) represents excess surplus generated at June 30, 2013 and should be included on the 2013-14 Audit Summary Worksheet Line 90031. This amount was to be appropriated in the 2014-15 general fund budget.

(E) This line represents the excess surplus generated at June 30, 2014 and must agree with the June 30, 2014 CAFR and be reported in the 2013-14 Audit Summary Worksheet Line 90030.

(D) Line (D) represents the sum of the June 30, 2013 and June 30, 2014 excess surplus (lines (C3) + (E)).

***See (E) above. The amount entered must agree with the **June 30, 2014** CAFR and Audit Summary Worksheet Line **90030**.

6 Percent Calculation – Vocational Districts

County vocational districts must perform the 6 percent calculation.

Amounts calculated in excess of 6 percent that have not been appropriated in the 2014-15 original budget certified for taxes must be reported in the “Restricted Fund Balance” category (GASBS 54) as general fund “Reserved Fund Balance - Excess Surplus” in the June 30, 2014 CAFR and appropriated in the 2015-16 budget. The amount which has been included in the 2014-15 budget should be reported in the “Restricted Fund Balance” category (GASBS 54) as general fund "Reserved Fund Balance - Excess Surplus, Designated for Subsequent Year's Expenditures." Note disclosures should describe the nature of the excess surplus and the amount budgeted in the 2014-15 original budget certified for taxes and the amount reserved for the subsequent year budget.

For districts with expenditures equal to or less than \$100 million, any unreserved/undesignated general fund surplus amounts in excess of the greater of 6 percent of general fund expenditures or \$250,000 (after allowable adjustments) is excess surplus. For districts with expenditures greater than \$100 million any

unreserved/undesignated general fund surplus amounts greater than the sum of 3 percent of general fund expenditures in excess of \$100 million plus \$6,000,000 and allowable adjustments is excess surplus. Any excess surplus amount must be reserved for appropriation in the 2014-15 original certified budget.

**EXCESS SURPLUS CALCULATION-
COUNTY VOCATIONAL DISTRICTS**

SECTION 1

A. 6% Calculation of Excess Surplus (2013-14 expenditures of \$100 million or less)

2013-14 Total General Fund Expenditures per the CAFR, Ex. C-1 \$_____ (B)

Increased by:

Transfer from Capital Outlay to Capital Projects Fund \$_____ (B1a)

Transfer from Capital Reserve to Capital Projects Fund \$_____ (B1b)

Decreased by:

On-Behalf TPAF Pension & Social Security \$_____ (B2a)

Assets Acquired Under Capital Leases \$_____ (B2b)

Adjusted 2013-14 General Fund Expenditures [(B)+(B1s)-(B2s)] \$_____ (B3)

6% of Adjusted 2013-14 General Fund Expenditures
[(B3) times .06] \$_____ (B4)

Enter Greater of (B4) or \$250,000 \$_____ (B5)

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

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

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Aid and Transportation Aid. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

B. 6% Calculation of Excess Surplus (2013-14 expenditures greater than \$100 million)

2013-14 Total General Fund Expenditures \$_____ (B)

Increased by:

Transfer from Capital Outlay to Capital Projects Fund \$_____ (B1a)

Transfer from Capital Reserve to Capital Projects Fund \$_____ (B1b)

Decreased by:

On-Behalf TPAF Pension & Social Security \$_____ (B2a)

Assets Acquired Under Capital Leases \$_____ (B2b)

Adjusted 2013-14 General Fund Expenditures [(B)+(B1s)-(B2s)] \$_____ (B3)

2013-14 General Fund Expenditures in excess of \$100 million
[(B3) minus \$100,000,000] \$_____ (B4)

3% of General Fund Expenditures in excess of \$100 million

[(B4) times .03]	\$ _____	(B5)
(B5) Plus \$6,000,000	\$ _____	(B6)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned/Unreserved-Undesignated Fund Balance [(B6)+(K)]	\$ _____	(M)

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid; Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10); Extraordinary Aid; Additional Nonpublic School Aid and Transportation Aid; and School Bus Advertising Revenue Recognized during the current year,. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

SECTION 2

Total General Fund - Fund Balances @ 6/30/2014 (Per CAFR Budgetary Comparison Schedule C-1)	\$ _____	(C)
Decreased by:		
Year-end Encumbrances	_____	(C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____	(C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____	(C3)
Other Restricted Fund Balances ****	\$ _____	(C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ _____	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ _____	(U1)

SECTION 3

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

Recapitulation of Excess Surplus as of June 30, 2014

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

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ _____	(K)

** This amount represents the June 30, 2013 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2014 CAFR and Audit Summary Worksheet Line 90030.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Emergency reserve	\$ _____
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve – current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve –prior year	\$ _____
Other state/government mandated reserves	\$ _____
Other Restricted Fund Balance not noted above****	\$ _____
Total Other Restricted Fund Balance	\$ _____ (C4)

****Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

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SECTION III – ELECTRONIC REPORTING
CHAPTER 5 – AUDIT SUMMARY

All school districts/charter schools are required to have their auditor complete the Audit Summary (Audsum) and the CAFR and the district/charter schools must transmit the auditor completed Audsum data to the NJ Department of Education via the web application. The department uses this information for various reporting and analytical purposes. The information from the Audsum will be downloaded into the actual column of the DOE budget software used by the district/charter school. Districts/charter schools cannot access and revise this data via the budget program if the data is incorrect. Only the auditor can make corrections through the submission of a revised Audsum. For revisions, both the auditor and the district/charter school board secretary/business administrator must provide electronic signatures (within the web application) and revised CAFR pages must also be submitted, if applicable. **The board secretary/business administrator is responsible for performing a careful review of the reports generated by the web application and for the provision of his/her electronic signature as to the accuracy of the information. Both the auditor and district/charter school personnel are advised to pay particular attention to the accuracy of the data submitted to avoid having to resubmit the data!**

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

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

An audit report **will be considered incomplete** until the required Audsum is received by the statutory deadline. Auditors are able to view the current certification status (CPA certified and district/charter school certified with dates for each) for each of their client districts on the CPA User Links to District(s)/Charter School's page.

Fund Balance (General Fund)

Separate lines for the breakout of the June 30 fund balance (general fund) are provided in the Audsum web application. Corresponding lines for the July 1 beginning fund balance classifications are also provided to enable reporting the appropriate balances. Governmental Accounting Standards Board Statement No. 54 (GASBS No. 54) is applicable for June 30, 2012 and subsequent years. Reserve for encumbrances will continue to be separately reported in Audsum as Year End Encumbrances – Committed and Assigned on line 90010 and memo accounts 90015 and 90016 (fund 15).

There is no fund balance reported for Education Jobs Fund (Ed Jobs) – fund 18.

Lines for tuition reserve enable tracking of the reserve for each of two permitted years, both the beginning and the ending balances. These balances are to be entered separately in the Audsum, and not as aggregated balances. (See Section II-10 of this Audit Program and *N.J.A.C. 6A:23A-17.1(f).8* for further reference on tuition reserve). Tuition reserve **beginning balance** lines are as follows with corresponding ending balances noted in the next paragraph:

- Current Yr Beginning Balance (line 50) represents the 2012-13 tuition year. The balance in this account must be budgeted for payment in 2014-15.
- Prior Year Beginning Balance (line 51) represents the 2011-12 tuition year. The balance in this account was budgeted for payment in 2013-14.

The following list is to be followed for the classification of ending fund balance – general fund: Unspendable/Restricted/Committed/Assigned Fund Balance. Line number changes beginning with the June 30, 2012 Audsum were necessary to align the budget and Audsum line numbers. Selected lines are highlighted in the table below:

Title	Audsum line # (Beginning 6/30/12)	Old Audsum line # (Prior to 6/30/12)
Legal Reserves	90025	10010
Tuition Reserve – Current Adjustment (2012-2013 Balance)	90050	10015
Tuition Reserve – Prior Year Adjustment	90051	10016
Year End Encumbrances (Reserved for Encumbrances) – Committed & Assigned	90010	10020
*Year End/Reserved for Encumbrances – State & Local Deferred Revenue Fund 15	90015	10021
*Year End/Reserved for Encumbrances – Federal Deferred Revenue Fund 15	90016	10022
Current year excess surplus	90030	10024
Prior year excess surplus designated for subsequent year's expenditure	90031	10025
Waiver Offset Reserve – Designed for Subsequent Yr	90027 (not available 6/30/14)	10027
Year End Encumbrances (Reserved for encumbrances) – Capital Projects Funds	90020	10030
Fifty Percent of School Bus Advertising Revenue Recognized – Current Year; 50% Fuel Offset	90028	N/A
Fifty Percent of School Bus Advertising Revenue Recognized – Prior Year; 50% Fuel Offset	90029	N/A
Reserved for adult education	90040	10040
Capital reserve account	90035	10045
Maintenance reserve account	90045	10050
Emergency Reserve	90055	10055
Debt Service Reserve	90060	10056
Total – Reserves and Encumbrances	90065	10060
Unassigned General Fund Balance	90075	10070
Assigned Fund Balance - Designated for Subsequent Year's Expenditure	90080	10075

*The Year End/Reserved for Encumbrances – State & Local Fund 15 and Year End/Reserved for Encumbrances – Federal Fund 15 lines are a subset of the amount reported in line 90010, formerly line 10020. The total of these two lines should match the amount reported on the Fund 15 Balance Sheet as Year End Encumbrances at the end of the audit year.

Include in Assigned Fund Balance – Designated for Subsequent Year's Expenditures (line 90080) only those amounts which were included in the 2013-14 certified budget as budgeted fund balance that have

not been included in the legal reserve line or the prior year excess surplus designated for subsequent year's expenditure. Include in the unassigned/unreserved - undesignated line all other unassigned-unreserved fund balance.

Restricted Fund Balance – Debt Service Fund (N/A to charter schools)

The Debt Service Reserve line 60 is used for the beginning balance and line 90060 is used for the ending balance of this reserve. These lines are only used to report proceeds from the sale of district property (see II-40.2).

Transfer of Surplus to the Capital Projects Fund

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

Health Cost (Premium) Withholding

There is a memo collection for health cost withholding in the 6/30/14 Audsum. See page II-90.1 for information on the withholding.

Appropriations and Carryover

There is a memo collection of Preschool Carryover. This amount must agree with what is reported on the Schedule of Preschool Expenditures as carryover. Preschool appropriations reported on the E-2 must agree with preschool appropriations reported in Audsum.

Districts required to use school-based budgeting – Fund 15 Audit Summary (Audsum) (Applies only to former Abbott Districts)

All districts are required to report school-based expenditures in the 2013-14 Audit Summary (Audsum). Please note that **Fund 15 expenditures should not be entered in the fund 11 tab. A separate Fund 15 statement must be completed for each whole school reform school implementing school-based budgeting. Fund 15 expenditures are reported under the "School-based Expenditures" data entry screen. Failure to enter the Fund 15 data separately will result in the reporting of inaccurate data to federal and state agencies. This will also cause inaccurate data to be preloaded into upcoming budgets.**

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

Audsum Questions Related to Conditions for Appointment of State Monitor or Forensic Audit (N/A to charter schools)

Questions regarding the auditor opinions, material weaknesses, repeat audit findings, capital projects fund deficits, and return of federal funds are included in Audsum to enable the department to determine whether a district meets conditions for either appointment of a state monitor or a forensic audit. *N.J.S.A. 18A:7A-55* as amended by P.L. 2007, c.53, authorizes the Commissioner to appoint a state monitor for districts which meet criteria specified in the law, and pursuant to *N.J.S.A. 18A:7A-57*, the state auditor will perform a forensic audit if a district has a general fund deficit and meets one of the criteria for state monitor.