

- in an attachment to their ExAid notice “Instructions for Adjusting Stabilized Aid Categories”.
- b. If the district received adjustment aid, the district will receive additional state aid (line F) pursuant to the hold harmless provision.
 - Record the actual ExAid award
 - Increase the adjustment aid by the additional aid amount.
- c. If the district was neither capped/stabilized nor received adjustment aid,
 - If the reduction in ExAid results in a 2008-09 total aid increase of less than two percent, the district will receive additional state aid (Line F). Record the additional aid as adjustment aid.
 - If the reduction in ExAid does not result in a 2008-09 state aid increase that is less than two percent, do not adjust any other state aid categories.

Auditors are reminded that only the amount of ExAid not included in the original budget certified for taxes is permitted as an adjustment to the June 30, 2009 audited excess surplus calculation. Also, the state aid printouts will only be revised for changes to adjustment aid. Auditors should also reference Section II-10 of this *Audit Program* and the *Compliance Supplement* for additional information.

PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS) PAYMENT DEFERRAL AND REQUIRED STATE AID REDUCTION

PERS Payment Deferral – P.L. 2009, c.19:

P.L. 2009, c.19, approved by the Governor on March 17, 2009, provides regular and vocational school districts the option of deferring 50 percent of the district’s 2008-09 regular PERS pension liability. Districts that elected to defer the pension liability must begin repaying the deferred amount over fifteen years starting in April 2012.

Required State Aid Reduction – P.L. 2009, c.22:

P.L. 2009, c.22, effective March 17, 2009, requires the department to reduce state aid for regular and county vocational districts in the amount of the allowable PERS deferred amount (whether the district elected to defer the payment or not). For 2008-09, regular and county vocational districts’ state aid may have been reduced by the lesser of: 50 percent of the district’s 2008-09 regular PERS payment, 50 percent of the district’s original budgeted PERS amount, or the district’s remaining state aid payment.

Districts were provided guidance on accounting for the PERS related state aid reduction in the March 31 letter from the department posted on the NJDOE website at <http://www.nj.gov/education/finance/sf/033109pers.pdf>. Since districts record the full amount of state aid as revenue in the beginning of the school year they should have amended their budgets to show the reduced amount of state aid. If a district did not amend the budget during the school year, auditors must make certain that the final year end reporting and financial statements reflect the correct revenue and receivable at June 30, 2009. The reduction in state aid is shown on the district’s payment schedule (SFRAPAY dated June 4, 2009 in column (P)). The order in which state aid should be adjusted was revised in the July 31 memo from the department. State aid should be adjusted in the following sequential order: Equalization Aid, Adjustment Aid Security Aid, Transportation Aid, Special Education Categorical Aid, Educational Adequacy Aid, and School Choice Aid. County special services districts, charter school districts and educational service commissions are not subject to the state aid reduction, therefore must pay the full 2008-09 liability.

Auditors may encounter districts that properly recorded their PERS related state aid reduction to Adjustment Aid and subsequently were advised to record an ExAid adjustment to Adjustment Aid which is now in excess of the adjusted Adjustment Aid. In this instance, the district should restore the Adjustment Aid to the pre-PERS adjustment level by reversing the PERS adjustment entry. The district should then record the ExAid adjustment as detailed above and then recalculate and record the PERS reduction to state aid using the ExAid adjusted aid amounts for purposes of calculating the PERS reduction categories.

Revised state aid notices that include the PERS state aid reduction were not issued. Auditors should use the guidance provided above, and original guidance provided to the district, to verify that the district has recorded the proper amount of state aid in each state aid category.

WAIVER RESTRICTIONS AND WAIVER OFFSET RESERVE

Districts that sought and received a Commissioner tax levy cap waiver in 2008-09 are restricted from transferring funds from those accounts that were approved for a waiver. For example, if a district received a waiver for energy costs, the energy account would be restricted from transferring funds from energy to any other account during the year without county office approval. The *2008-09 Budget Guidelines* (p. 176) and *N.J.A.C. 6A:23A-13.1* requires that waiver accounts be restricted and any transfer to other accounts require Executive County Superintendent approval.

Surplus generated at the fiscal year-end of the budget year that a waiver has been approved may be deposited into capital reserve, maintenance reserve, or current expense emergency reserve at year end under N.J.S.A. 18A:7F-41 only after a reserve in the amount of the total approved waiver has been established. The transfer restriction will cause any unspent funds in that account to fall to surplus. When actual audited undesignated general fund balance at the fiscal year-end exceeds the estimated amount reflected in the district's original approved budget, a Waiver Offset Reserve account should be established up to the amount of the approved waivers. A Waiver Offset Reserve account established at June 30, 2009 would be used to either reduce a waiver request in 2010-11, or budgeted as surplus in 2010-11. Auditors should determine whether a district obtained a waiver for the 2008-09 budget. A new line entitled "Waiver Offset Reserve" has been added in the Other Reserved Fund Balances in Section II-10 and Section III-4 where the excess surplus calculation is illustrated and discussed in detail.

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

The law, signed by the President February 17, 2009, requires tracking and separate reporting of ARRA funds. Although most school districts will not have expended funds by June 30, 2009, districts with department approved ARRA Title I or IDEA summer programs were permitted to obligate funds prior to June 30th. If ARRA funds were obligated or expended by June 30, 2009, they must be included in the calculations for the single audit threshold and major programs. Auditors should be alert to determine whether auditees have properly identified ARRA awards.

- Districts with approved "ARRA Requests for Approvals – Summer Programs" were permitted to obligate funds prior to June 30 for summer programs using ARRA-Title I, ARRA-Title I SIA Part A and ARRA-IDEA funding. The department website, <http://www.state.nj.us/education/arra/> includes:

- April memo from the Commissioner with guidance for ARRA-Title I, ARRA-Title 1 SIA Part A and ARRA-IDEA,
- District allocations ARRA Title I, ARRA Title I-SIA, and ARRA funding,
- May 13 memos from the Commissioner on ARRA-Title I and ARRA-IDEA, and
- Links to the U.S. Department of Education ARRA documents and guidance.

The Single Audit chapter (II-SA) of the *Audit Program* has been updated to include information on ARRA and contains a link to the OMB A-133 Compliance Supplement chapter on ARRA. These funds must be reported separately in the Schedule of Expenditures of Federal Awards and the Data Collection Form and identified using the prefix ARRA with the unique CFDA number for the specific ARRA program. ARRA Title I and IDEA funding and allocations can be found at <http://www.state.nj.us/education/arra/>.

SCHOOL-BASED BUDGETING

Guidance from *The Appendix to the Audit Program* (formerly *Abbott Addendum*) has been merged into the applicable chapters of this *Audit Program*. A table listing pages for guidance specific to audits of districts required to use school-based budgeting is included on pages xii and xiii in this Introduction chapter. Directions for preparing the schedules unique to districts using school-based budgeting will be available on the website <http://www.nj.gov/education/finance/fp/cafr/> where there are sample CAFR schedules and statements.