

SECTION III – REPORTING
CHAPTER 1 – AUDIT CRITERION AND SUBMISSION

Legal or Regulatory Requirements

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

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

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

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

Peer Review

N.J.A.C. 6A:23-2.2(i) requires that districts engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of education is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit. Generally, auditors will submit the peer review with the engagement letter for a repeat audit or if a new audit, with the proposal when responding to a board of education's request for proposal. The Department recommends that auditors review the board minutes to determine that the peer review report has been reviewed prior to the audit engagement.

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

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

Government Auditing Standards (the 2007 Yellow Book) includes peer review requirements. Any letter of comment and any subsequent peer review reports and letters of comment received during the period of the

contract should be provided to the district which has contracted for the audit or attestation engagement. Auditors should continue to refer to Sections 3.50- 3.57 of the *2007 Yellow Book* for guidance on Quality Control and Assurance Standards.

Audit Submission

The audit must be completed not later than 4 months after the end of the fiscal year (November 1). *N.J.S.A. 18A:23-3* requires "...such accountant shall within 5 days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner" (November 5th, 2009). No provision is made for the issuance of extensions beyond the statutory due date. If a school district fails to have an annual audit completed by November 1 the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district. The cost of conducting such an audit would be paid out of the funds of the school district.

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

Audit Reporting Package

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

Audit Summary diskette (Audsum)

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

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

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

Additional reports/worksheets submitted to the Department

- Peer Review report
- Data Collection Form (if applicable; see Single Audit section III-1.6)
- Type A Programs worksheets (see Single Audit Section II-SA and Section III-)

| MAILING ADDRESS * (Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.) | AUDIT DOCUMENTS | TIME AFTER AUDIT TO SUBMIT/ # COPIES |
|--|--|---|
| Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132 | Federal Reporting Package** Federal Data Collection Form (Only required for districts expending \$500,000 or more in federal awards) | Within 30 days One copy of each |
| **see Single Audit Report Submission Requirements on page III-1.6 | | |
| Commissioner of Education Department of Education Office of Fiscal Accountability and Compliance/Single Audit *1001 Spruce Street *Ewing, NJ 08638-3957 PO Box 500 Trenton NJ 08625-0500 | See CHECKLIST on next page Telephone 609-984-5935 | Within five days See next page for # of copies |
| NJ Department of Agriculture *** Bureau of Child Nutrition Programs * 33 W. State St. – 4 th floor P.O. Box 334 Trenton, NJ 08625 | Audit Reporting Package – CAFR (electronic copy only), AMR, & Corrective Action Plan (CAP) | Within five days; One copy |
| County Superintendent of Schools | Audit Reporting Package – CAFR, AMR, & Corrective Action Plan (CAP) | Within five days - One copy |

*** Audit reporting package is only sent to NJ Department of Agriculture if there are findings in the Child Nutrition Program or in the low income eligibility testing,

**STATE OF NEW JERSEY
DEPARTMENT OF NEW JERSEY
CAFR INFORMATION SCHEDULE/ CHECKLIST**

1. Name of District _____

2. County _____

3. Tax ID Number _____

4. Accounting Firm _____

5. Contact at CPA Firm

Name _____

Phone (optional) _____

Email (optional) _____

Audit Submission to the NJ Department of Education

| Districts not required to use school-based budgeting | Enclosed/Emailed | Districts required to use school-based budgeting | Enclosed/Emailed |
|---|-------------------------|---|-------------------------|
| 2 Copies of CAFR | | 5 Copies of CAFR | |
| 3 Electronic Copies of CAFR | | 3 Electronic Copies of CAFR | |
| 2 Copies of AMR | | 5 Copies of AMR | |
| 1 Copy of Peer Review | | 1 Copy of Peer Review | |
| 1 Copy of Federal Data Collection Form | | 1 Copy of Federal Data Collection Form | |
| 1 Copy of Type A Programs Worksheets | | 1 Copy of Type A Programs Worksheets | |

INSERT FEDERAL TYPE A PROGRAMS WORKSHEET

To download the Federal Type A Programs Worksheet click on the following link:

[Type A Programs](#)

Select the tab entitled “Federal”

INSERT STATE TYPE A PROGRAMS WORKSHEET

To download the State Type A Programs Worksheet click on the following link:

[Type A Programs](#)

Select the tab entitled “State”

STATE TYPE A PROGRAMS WORKSHEET
For the Fiscal Year ended 6/30/2008

| | | | |
|--------------------------|----------------|-------------------|--------------|
| Name of School District | Anytown Twp. | County: | Newland |
| Total State Expenditures | \$2,500,000.00 | Type A Threshold: | \$300,000.00 |

| GMIS Number(s) and Name of Type A Programs Identified | | <u>Year(s) Single Audit Performed*</u> | | |
|--|-------------------------|---|----------------------|----------------------|
| | | Year 1 - 2008 | Year 2 - 2007 | Year 3 - 2006 |
| 08-495-034-5120-025 | Early Childhood Program | X | X | |
| 08-495-034-5120-022 | CORE Curriculum | X | X | |
| 08-495-034-5064-002 | DEPA | | X | |
| 08-495-034-5120-049 | Education Opportunity | | | X |

* Must agree with the related Schedule of Findings and Questioned Costs.

Auditor's Name (Please Print)

Date

Auditor's Signature

Single Audit Report Submission Requirements

Federal Single Audit Requirements

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

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

Data Collection Form

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

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

Federal Reporting Package

The Reporting Package must include the following:

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

Corrective action plan

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

Submission of Federal Reports to State Departments

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

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

State Single Audit Requirements

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

State Single Audit Reporting Package

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

Corrective Action Plan – State requirements

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

Reporting Errors

Auditor's Management Report (AMR)

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

- **Immaterial Errors and Omissions**
Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A. 18A:23-9*. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.
- **Other Recommendations to the Board of Education**
Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the district's Corrective Action Plan.

Schedule of Findings and Questioned Costs (Single Audit - Federal and State)

In accordance with the Single Audit Act, USOMB Circular A-133, and NJOMB Circular Letter 04-04, questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the *Schedule of Findings and Questioned Costs* in the single audit section of the district's CAFR if they meet the criteria for reporting audit findings as detailed in Circular A-133 (Section .510). See Section II-SA of the Audit Program for sample format of the schedule. As noted above, all items reported in the single audit section must be repeated in the Auditor's Management Report.

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SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

Directives for Auditor’s Reports

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

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

The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (AICPA Audit Guide) is available through the AICPA website <http://gaqc.aicpa.org> and incorporates recent changes to the AICPA auditing standards and Government Auditing Standards. The auditor reporting required under OMB Circular A-133 is affected by the issuance of SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. SAS 112 is effective for audits of financial statements for periods ending on or after December 15, 2006 and is available from the AICPA at <https://www.cpa2biz.com>. Sample reports updated to include Statement of Auditing Standards No. 112 terminology are available at the AICPA link <http://gaqc.aicpa.org/Resources/Illustrative+Auditors+Reports/>. **Auditors should check the AICPA website and the reports link for the most recent sample reports.** For additional guidance, the revised 2007 *Government Auditing Standards* (the 2007 Yellow Book) issued July, 2007 by the U.S. General Accounting Office is available at www.gao.gov. The 2007 Yellow Book is applicable for financial audits of periods beginning on or after January 1, 2008. The term “reportable conditions” is no longer used in the reporting.

Component Units

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

Auditor Reports

The reports generally required in connection with an audit performed under the Single Audit Act of 1984, P.L. 98-502 as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and required by NJOMB Circular Letter 04-04 are listed below. Auditors should refer to the AICPA guidance for other reports when applicable.

Independent Auditor's Reports

Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – Governmental Entity

References

Part I, Appendix A, Chapter 4, Section .51
Example 4-1

Single Audit Reports

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

Example 4-3
<http://gaqc.aicpa.org/References/Illustrative+Auditors+Reports/>

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJOMB Circular Letter 04-04 (*Unqualified Opinion on Compliance and No Material Weaknesses [No Significant Deficiencies in Internal Control Over Compliance Identified]*)

Example 12-1
<http://gaqc.aicpa.org/References/Illustrative+Auditors+Reports/>

Schedule of Findings and Questioned Costs

Part II, Appendix A, Chapter 12 Section .54,
Example 12-5

Any recommendations referenced in the above opinions must be repeated in the "Recommendations" section of the Auditor's Management Report for the Board's consideration of all recommendations pursuant to *N.J.S.A. 18A:23-3, 4 and 5*.

The sample audit reports included in this chapter are based on the assumption that no qualifications of opinion are required. The reports include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be deleted from the reports if no such findings apply. Auditors should reference the *Government Auditing Standards and Circular A-133 Audits (GAS/A-133 Guide)* - AICPA Audit Guide, 2007 edition, for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR along with the Schedules of Expenditures of Federal Awards and State Financial Assistance, Notes to the Schedules of Expenditures of Awards, Schedule of Findings and Questioned Costs, and Summary Schedule of Prior Audit Findings.

NOTE TO PREPARER: WHEN A FEDERAL SINGLE AUDIT IS NOT REQUIRED -- DO NOT REFERENCE FEDERAL PROGRAMS. WHEN A STATE SINGLE AUDIT IS NOT REQUIRED -- DO NOT REFERENCE NJOMB CIRCULAR LETTER 04-04 AND STATE PROGRAMS.

SAMPLE ONLY

I

The following sample report is available on the AICPA website at <http://gaqc.aicpa.org/> Auditors are encouraged to check the website for the most recent sample reports and for revisions to the **Guide issued after the issuance of this *Audit Program*.**

Source: Government Auditing Standards and Circular A-133 Audits (GAS/A-133 Guide) - AICPA Audit and Accounting Guide Example 4-1

UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION- GOVERNMENTAL ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
_____ School District
County of _____
_____, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the _____ Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the _____ Board of Education, in the County of _____, State of New Jersey, as of June 30, 20__, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 20__ on our consideration of the _____ Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages [XX] through [XX] and [XX] through [XX] are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the _____ Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information, such as, the combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

SAMPLE ONLY

The following sample report is available on the AICPA website at <http://gaqc.aicpa.org/>. Auditors should check the site for the most recent sample reports and for revisions to the AICPA GAS/A133 Guide that may be issued after the publication of this *Audit Program*.

Source - Government Auditing Standards and Circular A-133 Audits (GAS/A-133 Guide) - AICPA Audit and Accounting Guide Example 4-3

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(No Material Weaknesses [No Significant Deficiencies Identified], No Reportable Instances of Noncompliance or Other Matters)

The Honorable President and
Members of the Board of Education
_____ School District
County of _____
_____, New Jersey

We have audited the financial statements of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, and have issued our report thereon dated _____, 20__. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the _____ Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the _____ Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the _____ Board of Education's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that

might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the _____ Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

(We noted certain matters that we reported to the Board of Education of the _____ School District in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated _____, 20__.)

This report is intended solely for the information and use of the audit committee, management, the _____ Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

SAMPLE ONLY

The following report is available on the AICPA website at <http://gaqc.aicpa.org/>. Auditors are encouraged to check the for the most recent sample reports for revisions to the AICPA GAS/A133 Guide issued after the issuance of this *Audit Program*.

Source - Government Auditing Standards and Circular A-133 Audits (GAS/A133 Guide) - AICPA Audit and Accounting Guide Example 12-1

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04
(Unqualified Opinion on Compliance and No Material
Weaknesses [No Significant Deficiencies in Internal Control Over Compliance Identified])**

The Honorable President and
Members of the Board of Education
_____ School District
County of _____
_____, New Jersey

Compliance

We have audited the compliance of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20___. _____ Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the _____ Board of Education's management. Our responsibility is to express an opinion on the _____ Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the _____ Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of _____ Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the _____ School District, in the County of _____, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20___. However, the results of our auditing procedures disclosed instances of noncompliance with those

requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items [List the reference numbers of the related finding ,e.g., 20X1-1, 20X1-2, etc. -Omit the last sentence if no such instances of noncompliance are identified in the schedule of findings and questioned costs].

Internal Control Over Compliance

The management of the Board of Education of the _____ School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered _____ Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of _____ Board of Education's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. _____ Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit _____ Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the _____ Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

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

Disclosure

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

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

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

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

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

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

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Anytown School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

| | <i>Federal</i> | <i>State</i> | <i>Total</i> |
|--|----------------------|----------------------|----------------------|
| General Fund | \$ | \$ | \$ |
| Special Revenue Fund | | | |
| Debt Service Fund | | | |
| Food Service Fund | _____ | _____ | _____ |
| Total Awards & Financial Assistance | \$ <u> </u> | \$ <u> </u> | \$ <u> </u> |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

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

| <u>Loan Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Outstanding</u> |
|---------------------------|----------------------------|---------------------------|
| Federal EPA | N/A | \$XXX,XXX |

NOTE 6. OTHER

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

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

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

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

FINANCIAL STATEMENT DISCLOSURES – OVERVIEW AND SAMPLE NOTES

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

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

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

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

Capital Assets – GASB 34, par.116-118

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

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

Short-term Debt – GASB 38, par. 12

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

Interfund Balances and Transfers – GASB 38, par. 14

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

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

The SAMPLE NOTES section of this chapter has been updated to include disclosure examples relating to the recording of the delayed state aid payment(s). Alternative presentation formats are also acceptable. (See also NCGAI 10, *State and Local Government Budgetary Reporting* and GASB 34 and GASB 38, NCGAI 6 *Notes to the Financial Statements Disclosure*, Appendix, as amended, and GASB Codification 2300.106, 107 and 901).

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

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

Disclosure of the District's Policy for Revenue Recognition

The Department recommends that the district's policy for revenue recognition of the one or more June state aid payments for budgetary purposes be disclosed in the Budgets/Budgetary Control section of Note 1 - Summary of Significant Accounting Policies. The revision to the 2nd paragraph of the sample Note on Budgets/Budgetary Control is in boldface type.

Reconciliation of Revenue for Budgetary Comparisons to GAAP Statements

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

Disclosure of Deficit Fund Balance

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

SAMPLE BASIC FINANCIAL STATEMENT NOTES

NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BUDGETS/BUDGETARY CONTROL

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

GASB 34 Model Illustration of Reconciliation**Notes to Required Supplementary Information
Budgetary Comparison Schedule**

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

| | General Fund | Special Revenue Fund |
|---|----------------------|----------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary) “revenues” from the budgetary comparison schedules | \$23,101,430 | \$ 7,983, 526 |
| Difference – budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | (21,204) |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | 553,478 | 347,560 |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year. | (551,385) | (243,142) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds. | <u>\$ 23,654,908</u> | <u>\$ 8,309,882</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule | \$ 24,209,664 | \$ 7,983,526 |
| Differences – budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | (21,206) |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. | | |
| Net transfers (outflows) to general fund. | | (2,668,125) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds. | <u>\$ 24,209,664</u> | <u>\$ 5,294,197</u> |

Auditor's Note – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2008-09 district CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2008.

NOTE X. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2008.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

(GASB Cod. Sec. 2300.107(v))

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

NOTE X. COMPENSATED ABSENCES

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

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

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

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

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

(GASB Cod. Sec., C60)

NOTE X. CAPITAL RESERVE ACCOUNT

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

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

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

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

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

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

NOTE X. TRANSFERS TO CAPITAL OUTLAY

During the year ending June 30, 200_, the district transferred \$_____ to the capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters [OR STATE IF TYPE I DISTRICT, BY THE BOARD OF SCHOOL ESTIMATE] in the budget certified for taxes pursuant to *N.J.A.C. 6A:23-8.4* [OR STATE IF THE TRANSFER WAS APPROVED BY THE COUNTY SUPERINTENDENT TO SUPPORT AN EMERGENT CIRCUMSTANCE PURSUANT TO *N.J.A.C. 6A:23-2.11(c)2*.]

(NJ Department of Education)

NOTE X. RISK MANAGEMENT

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

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

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

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|-------------------------------|--------------------------|-----------------------|
| 20X8 – 20X9 | \$ | \$ | \$ | \$ |
| 20X7 – 20X8 | | | | |
| 20X6 – 20X7 | | | | |

(GASB Cod. Sec. 2300.107(a))

NOTE X. INTERFUND BALANCES AND TRANSFERS

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

NOTE X. DEFICIT FUND BALANCES

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

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

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

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

(GASB Cod. Sec. 2300.108)

NOTE X. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$_____ General Fund fund balance at June 30, 200__, \$_____ is reserved for encumbrances; \$_____ has been legally restricted in accordance with *N.J.A.C.* 6A:23-8.5(j) as the 2008-2009 additional spending proposal was not fully expended; \$_____ has been legally reserved for tuition adjustment in accordance with *N.J.A.C.* 6A:23-3.1(f)(8); \$_____ is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7 (\$_____ of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 20__); \$_____ has been reserved in the Capital Reserve Account [OR STATE OTHER APPLICABLE RESERVE ACCOUNT E.G., MAINTENANCE OR CURRENT EXPENSE EMERGENCY RESERVE,]; \$_____ has been appropriated and included as anticipated revenue for the year ending June 30, 20__; and \$_____ is unreserved and undesignated. During the fiscal year, authorized and approved appropriations of \$_____ surplus were made on [ENTER DATE OF APPROPRIATION] and \$_____ made on [DATE OF APPROPRIATION].

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

(GASB Cod. Sec. 2300.107(l))

NOTE X. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended, the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 20__ is \$_____.

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

STATISTICAL SECTION OF THE CAFR

Overview

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

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

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

Illustrations

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

Years of data

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

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

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

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

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

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