

**FINANCIAL ACCOUNTING
FOR
NEW JERSEY SCHOOL DISTRICTS**

THE AUDIT PROGRAM

2011-12

**STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF SCHOOL FINANCE
PO BOX 500
TRENTON, NEW JERSEY 08625-0500**

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SIGNIFICANT CHANGES FOR 2011-12

- Audit Summary (Audsum) for June 30, 2012 is an electronic submission of audited data that will be completed through a web application available in NJDOE Homeroom beginning September 2012. School district auditors must request a web user name and password from each of their school district clients' web administrator in order to access Audsum.
 - The Audsum numbering system has been revised so that there are adequate lines for sequential programs and the line numbers agree with the line numbers used by the budget program. There will be a column with the old numbering system next to the new line numbers.
- In response to a recent Office of Legislative Services audit of Preschool Education Aid (PEA) which reported a discrepancy rate of 16%, expanded guidance for the recording and reporting of PEA expenditures and carryover has been included. All discrepancies between PEA expenditures reported on the Schedule of Preschool Education Aid (Exhibit-2) and PEA expenditures reported in Audsum must be resolved by resubmission/retransmission of the Exhibit-2 and/or Audsum.
 - A line has been added in Audsum for the reporting of PEA carryover. Auditors must verify the accuracy and agreement of the PEA carryforward reported on the Exhibit E-2 and in Audsum.
- Districts entering into a contract with a food service management company (FSMC) were provided with Sample 2011-12 FSMC Contract, Clause M, requiring the FSMC to obtain a Type 2 report.
- The sample Schedule of Meals Served and Overclaim/Underclaim has been modified to present separate federal and state reporting of meals under/overclaims. Separating the schedules will facilitate verification of the schedule with the Schedule of Expenditures of Federal Awards. Federal (and state) Schedule(s) are presented only where the Child Nutrition Program is a major program audited in the current audit period in accordance with federal OMB Circular A-133.
- P.L. 2011, c.202, effective January 17, 2012, permits a board of education, a municipal governing body, or voters to move the April annual school board election to the date of the November general election thereby eliminating the vote on the annual base budget. Whether or not a district's annual school board election date has been moved to November, the dates for submission of the budget, advertising, or public hearing have not been changed.

OTHER CHANGES / UPDATES FOR 2011-12

The following is a summary of changes / updates:

1. General changes are found throughout the document and include:

- Change Division name to Division of Administration and Finance.
- Audsum line number changes.
- Code references have been updated where appropriate.

2. Specific changes are found in the following sections/chapters:

Introduction

- The deadline for submission of June 30, 2012 audits is Wednesday, December 5, 2012.

Section I-1

- Added guidance that Education Jobs Funds must be fully expended by September 30, 2012. Continue to report Education Jobs Fund appropriations and expenditures using the Exhibit C-1b.

Section I-2

- Added annually updated Anti-bullying policy as required by P.L. 2010, c. 122 to list of board of education policies.

Section I-3

- Added “Enhanced Head Start Preschools” and added “Provider Preschools” to the listing of acceptable site placements for “Low Income Out- of -District Students.”
- Emphasized that beginning with the July 2011 cycle submission of the “Program Plans for Bilingual, ESL-only and ELS” to the department is no longer a requirement. The current three-year cycle began July 2011 and will end in 2014. The auditor should verify that the LEA maintains a current Bilingual, ESL or ELS plan on file.
- Added that the Centers for Medicare and Medicaid Services (CMS) instituted several reporting requirements designed to document a district’s compliance with federal reimbursement regulations. Compliance is required for districts to maximize SEMI funding.
- Updated 3rd party SEMI program administrator contact information.
- Updated contract bid threshold for transportation contracts for 2011-12 to \$17,500 (from \$17,200).

Section I-4

- Deleted guidance regarding prohibition of transfers from line accounts that include waiver amounts. For 2011-12, P.L. 2010, c.44 eliminated these waivers.
- Deleted guidance on the establishment of waiver offset reserves since P.L. 2010, c.44 eliminated Commissioner tax levy cap waivers for 2011-12.
- Clarified that any waiver offset reserve balance from June 30, 2011 must be reported as Waiver Offset Reserve – Designated for Subsequent Year.
- Deleted reference to capital outlay waiver (*N.J.A.C. 6A:23A-12.4*).

Section I-4 (continued)

- Deleted reference to capital outlay additional spending Commissioner CAP Waiver.
- Deleted reference to Commissioner tax levy cap waiver from the Current Expense Emergency Reserve guidance.
- Added guidance regarding additional state aid received pursuant to the July 12, 2011 notice.

Section I-5

- P.L. 2011, c.139 amended *N.J.S.A. 52:34-6.2* to permit school districts to make purchases and to contract for services through the use of a nationally-recognized and accepted cooperative purchasing agreement. Provided link to Local Finance Notice 2012-10 *Using National Cooperative Contracts: Application of P.L. 2011, c. 19* issued by the DCA on May 14, 2012.
- Added reference to LFN 2011-38 “Limits on Bid Acceptance Dates 2012 Federal and State Holidays”.
- Revised the threshold for bidding of transportation contracts to \$17,500 from \$17,200
- Updated text for fund balance categories pursuant to a review of purchase orders to include the restricted, committed, and assigned fund balance classifications (GASB Statement No. 54).

Section I-6

- Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization* supersedes Statement of Auditing Standards No. 70 (SAS 70).

Section I-8

- No change.

Section II-10

- SSAE No. 16 supersedes Statement of Auditing Standards No. 70 (SAS 70).
- Added that effective June 4, 2012, *N.J.A.C. 6A:27-7.10*, 7.11 and 7.12 have been amended to permit boards of education to enter into a contract for the sale of advertising space on the exterior sides of school buses.
- Added reference to the guidance for budgeting and recording the 2011-12 ExAid award provided to districts within the June 4 award notification letter.
- Added guidance provided to school districts that in the 2011-12 budget districts were required to include any applicable tuition adjustment for the certification of the 2009-10 rates.
- Deleted guidance related to audit procedures for restricted lines of appropriation for budgetary expenditure and reserve account balances increased through a Commissioner “waiver” request. For 2011-12 there were no Commissioner waivers offered and no resultant increases or restrictions to appropriation accounts.
- Deleted guidance that lines of appropriation are deemed restricted when associated with a capital outlay waiver (*N.J.A.C. 6A:23A:23A-12.4*). Capital outlay waivers are not available for 2011-12 eliminating the related restriction to certain lines of appropriation.
- Deleted “Unbudgeted FICA Wage Freeze Grant” revenue from the excess surplus calculation.
- Replaced old Audsum line references in excess surplus calculation. Similar changes to other Audsum line numbers occur throughout this section and throughout this document.

Section II-10 (continued)

- Updated waiver offset reserve guidance to reflect that for the 2011-12 budget year there are no Commissioner waivers available. Any remaining waiver offset reserve balance at June 30, 2011 must be budgeted for tax relief in the 2012-13 budget.
- Deleted “Capital Outlay for a District with a Capital Outlay Commissioner Waiver” from the list of items of legal reserve.

Section II-20

- Updated the maximum salary subject to FICA for the 2012 calendar year to \$110,100.
- Noted that an estimated rate has been used to complete the sample “TPAF and FICA Reimbursement” form.
- Provided guidance that for the 2011-12 fiscal year the department reviewed and issued approvals for Preschool Education Aid budgets for the 31 SDA districts and the 4 former ECPA districts that were approved to expand their preschool programs.
- Beginning with the June 30, 2012 Audsum, there is a separate data entry line for Preschool Education Aid (PEA) budgetary carryover. Auditors must verify agreement between the new Audsum carryover entry and Line 8 – (2011-12 PEA Carryover) presented on the Exhibit E-2 “Schedule of Preschool Education Aid”.
- Added link to OLS audit report on Preschool Education Aid for the period July 1, 2009 through October 14, 2011.
- Clarified that line one of the PEA Schedules must include the adjustment to PEA received by certain SDA districts in the 2011-12 PEA allocation.
- Clarified that for the SDA districts that received additional PEA for 2011-12, for the “Schedule of State Assistance”, revenue equals the amount reported on the 2011-12 NET plus the PEA “adjustment” allocated to those SDA districts increased by the first two cash payments of July 2011 and decreased by the two June 2012 state aid payments paid in July 2012 (and not recognized until that subsequent year).

Section II-30

- No Change.

Section II-40

- No Change.

Section II-50

- No Change.

Section II-60

- Emphasized that for 2011-12 all districts entering into a FSMC contract must do so pursuant to the Public School Contracts Law, *N.J.S.A. 18A:18A-1 et seq.* as amended; and the applicable rules under *N.J.A.C. 5:34-1 et seq.* Where the district participates in any federally funded Child Nutrition Program(s), procurement of the FSMC contract must also follow the standards prescribed in 7 CFR 3016.36.
- Incorporated SSAE No. 16 *Reporting on Controls at a Service Organization* and a new *SAS Audit Considerations Relating to an Entity Using a Service Organization* into the guidance regarding the responsibilities of the school district and the school district auditor when the school district enters into a contract with a FSMC.
- Clarified that effective for school year 2011-12, the CNP Direct Certification Process must be done three times per school year in accordance with timelines established by the NJDA Division of Food and Nutrition.

Section II-60 (continued)

- Clarified that to facilitate the identification of newly eligible students, direct certification matching against updated SNAP (Food Stamp)/TANF data may be performed monthly during the school year.
- Added that effective for school year 2011-12, only one Household Application for Free and Reduced Price Meals and/or Milk is filed for a household with foster children. Foster children are no longer considered to be a family of one and no longer file a separate application.
- Added that effective for school year 2011-12, foster children are categorically eligible for free school meals.
- Clarified that because foster children are categorically eligible for free school meals, a single Household Application may have two different eligibility determinations; one for the foster child/children and a second for all other students in the household.
- Added that effective for the 2011-12 school year, only one SNAP (Food Stamp)/TANF case number is required for the entire household, when applicable.
- Added that beginning with the 2011-12 school year, the eligibility determination associated with a Household Application is effective for the entire school year.
- Added that beginning with the 2011-12 school year, there is no provision for “temporary” eligibility status for zero income Applications.
- Clarified that Seamless Summer Option (SSO) provides for all children at the “free” rate of reimbursement. SSO schools receive only federal reimbursement – no state subsidy is provided.
- Updated lunch/breakfast/snack/milk reimbursement rate schedule for school year 2011-12.

Section II-70

- No Change.

Section II-80

- Provided link to Department of Labor and Workforce Development publication of special reimbursable account rates.

Section II-90

- Emphasized that P.L. 2011 c.78 requires boards of education to establish a cafeteria plan (Section 125 Flexible Spending Accounts) for employee medical or dental expenses not covered by a health benefits plan.

Section II-CA

- No Change.

Section II-LT

- No Change.

Section II-SA

- Provided that the AICPA audit guide, Government Auditing Standards and Circular A-133 Audits (Guide) has been updated through February 2012.
- Added the AICPA issuance of SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*.
- Clarified that for the “2012 Single Audit Summary” auditor must complete all questions in sections A, C and F for every district, and all questions in Section D for districts that have a federal and/or state single audit.
- Clarified the reporting of unexpended federal grant funds on the *Schedule of Expenditures of Federal Financial Assistance* (Schedule A):
 1. Funds “released” by the district to the DOE should be presented on Schedule A, in the column entitled “Adjustments”.
 2. Funds that have been received by the district but are no longer available for expenditure by the district are reported on Schedule A in the column entitled, “Due to Grantor”.
 3. All funds that have been refunded during the fiscal year shall be shown on Schedule A, in the column entitled, "Repayment of Prior Year Balances”.
- Clarified the reporting of unexpended state grant funds on the *Schedule of State Financial Assistance* (Schedule B):
 1. Non-public state aid - the transfer of funds by the district to the third-party provider is not an expenditure of funds.
 2. Schedule B must reflect only the actual expenditures reported by the third-party provider.
- Clarified that Individuals with Disabilities Education Act (IDEA), expends funds on a first-in-first-out basis. School districts should expend available carry-over funds first during the fiscal year before expending current year IDEA funds.
- Included an enhanced discussion of the process for determining the distribution of unexpended IDEA funds.
- Included a discussion of reporting IDEA funds for districts that are required to, as opposed to districts that are requesting to, provide Coordinated Early Intervening Services (CEIS).
- Presented and updated listing of common CFDA numbers and State Grant Account Numbers.

Section III-1

- Transmission to the OFAC CAFR Repository is required for the fiscal year ending June 30, 2012. The school district must utilize the OFAC CAFR Repository to upload the entire June 30, 2012 audit reporting package to the NJDOE -OFAC. Access is through the NJDOE Homeroom.
- Added link to November 7, 2011 explanatory memo regarding the OFAC CAFR Repository.
- Added table of required file extensions.
- Clarified that the Audit Reporting Package must be filed with the NJ Department of Agriculture only if the LEA received total combined funding in excess of \$100,000 from the State Child Nutrition Programs and/or USDA Foods.

Section III-2

- Referenced update of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits (AICPA Audit Guide – February 1, 2012)*.
- Referenced SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole (AICPA, Professional Standards, AU sec. 551)* and provided a link to AICPA sample report 13-1A issued in relation to SAS No. 119.

Section III-3

- Updated sample Post Retirement Benefit footnote using data presented in the State of NJ June 30, 2011 Basic Financial Statements.

Section III-4

- Updated the sample AMR verbiage to reflect the change in bid threshold for public school student transportation contracts under N.J.S.A. 18A:39-3 to \$17,500.
- Clarified the sample AMR verbiage to reflect current trends in School Food Service Management Company contract performance clause.
- Enhanced the sample Schedule of Meals Served and Overclaim/Underclaim to include a section for the state reimbursement in each category (Paid, Reduced, and Free).
- Updated sample Excess Surplus calculations by deleting lines for Unbudgeted TPAF Wage Freeze Grant; and Capital Outlay for a District With a Capital Outlay Cap Waiver.
- Emphasized 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 introduced in supporting documentation item 9 on page 123 of the 2011-12 Budget Guidelines and also applies to the calculation of audited excess surplus.

Section III-5

- Referenced Audsum is no longer transmitted through DOENET. Audsum is now transmitted using a web application.
- Added a memo collection account for Preschool Carryover in Audsum. This amount must agree with what is reported on the Schedule of Preschool Expenditures as carryover.

Section III-6

- Added to the Checklist for the Annual Audit, evidence of compliance with the requirements for maximum participation in the SEMI program established by the Centers for Medicare and Medicaid Services (CMS).
- Food Services Checklist – Deleted reference to grant award agreement for Food Service Equipment Grant.
- Food Services Checklist – Added requirement to provide documentation supporting current status of all prior year CNP findings (if applicable).
- Added Harassment, Intimidation or Bullying Policy (*N.J.S.A. 18A:37-15*) to list of required policies.

Section III-6 (continued)

- Added evidence of establishment and maintenance of a cafeteria plan for health benefits required by *N.J.S.A.* 18A:16-19.1 as amended by P.L. 2011c.78, section 44 to the Checklist for the Annual Audit (number 23c.).
- Added question number 30 to the Audit Questionnaire, “Does the district’s actual audited per pupil legal costs for the year ended June 30, 2011 exceed 130% of the 2010-11 audited statewide average?”

Section III-7

- Added that Certification of Implementation of Corrective Action Plan may be mailed or scanned and emailed to OFAC.

Section III-8

- Revise auditor’s report references in the QAR to reflect name change to Division of Administration and Finance, New Jersey Department of Education.
- Updated item number 18 of the QAR to include reference to SAS No. 119 (Auditor’s report under Circular A-133 that reflects updated reporting on the schedule of expenditures of federal awards under SAS No. 119).

OVERVIEW

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

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

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

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

Reference Materials

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

Responsibility/Government Auditing Standards

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

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

Submission/Reporting Package

The Department of Education requires the submission of the reports described below on or before the statutory deadline. The statutory submission date is the fifth day after five months (*N.J.S.A. 18A:23-1*) after the end of the school fiscal year. Accordingly, the deadline for submission of June 30 audits is Wednesday, December 5, 2012. The Commissioner has statutory authority (*N.J.S.A. 18A:23-6*) to appoint auditors for districts failing to meet the statutory due date or invoke other administrative actions but the Commissioner does not have discretion to change a statutory requirement, such as the due date. *N.J.S.A. 18A:7A-55* includes late submission of the annual audit as one of the conditions for appointment of a state monitor.

1. The CAFR

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

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

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

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

3. Audit Summary (Audsum)

The Audit Summary (Audsum) for June 30, 2012 is an electronic submission of audited data that will be completed through a web application available in NJDOE Homeroom at <http://homeroom.state.nj.us/> beginning September 2012. Beginning with the year ending June 30, 2012 school district auditors must obtain a web User ID and Password through each web administrator at each of their client districts. Once the web user ID and Password for a district is obtained, Audsum for that district may be accessed by the auditor. The auditor is responsible for the entry of data into electronic Audsum and the board secretary/business administrator is responsible for carefully reviewing the reports generated by Audsum. The school district auditor and the board secretary/business administrator are required to indicate their respective approval of the entered Audsum data through the electronic signature process available on the web application transmittal screen. The school district’s board secretary/business administrator is responsible for the transmission of the Audsum data via the web application to the Department of Education no later than the CAFR due date (December 5, 2012). This information is used by the Department of Education for a variety of purposes, including downloading into the actual column of the budget software issued by the department. **It is very important that auditors and district personnel pay particular attention to the accuracy of the data to avoid having to resubmit the data. If data is resubmitted due to an error in the CAFR, revised pages of the CAFR must be sent.**

Transmission of the reporting package to the OFAC CAFR Repository is mandatory for year end June 30, 2012. The OFAC CAFR Repository may be accessed through NJDOE Homeroom at <http://homeroom.state.nj.us/>. The procedure for submission of the CAFR and the AMR was adopted by the Department of Education to conform to the common practice for CAFR presentation followed by other school districts throughout the country. The two reports have separate, distinct purposes. The CAFR is the financial report presented to the board for conformance with GAAP. The AMR is the auditor’s report to the board of education of his/her findings and recommendations as a result of the audit. In accordance with OMB Circular A-133, the CAFR will also be submitted to the Federal Audit Clearinghouse as part of the reporting package along with the data collection form in cases where a federal single audit of the district is required. In conformity with the federal due date, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education. Accordingly, CD-ROMs, associated audit items, and the upload of audit files transmitted to the OFAC CAFR Repository may be submitted on time without including the archived copy of the SF-SAC. When available, the archived copy of the SF-SAC must be submitted on a CE-ROM under separate cover, and also uploaded to the OFAC CAFR Repository.

USOMB Circular A-133 and NJOMB Circular Letter 04-04 require that the Schedule of Findings and Questioned Costs contain, but not be limited to, significant deficiencies in internal control over major programs, material non-compliance with the provisions of laws, regulations, contracts,

or grant agreements related to a major program, and known questioned costs which meet the threshold as defined in Circular A-133. *N.J.S.A.* 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." Accordingly, the AMR must include **all** findings, including any items contained in the Schedule of Findings and Questioned Costs.

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

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

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

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

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

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

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

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

are required to use school-based budgeting. Indicate by “N/A” when a schedule is not applicable.

Statistical Section – This section is intended to provide CAFR users with a broader and complete understanding of the school district and its financial matters than is possible from the financial statements and supporting schedules included in the financial section. GASB Statement No. 44 (GASB 44) revised the statistical schedules effective for the June 30, 2006 CAFRs. Sample schedules and guidance for preparing the schedules can be found on the NJDOE web site www.state.nj.us/education/finance/fp (click on CAFR). The Outline of the CAFR reflects these revisions. Statistical information to assist districts and auditors in preparing this section is posted on that web site (click on Audit Information, and then 2011-12 Audit Program).

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

OUTLINE OF CAFR

Page

INTRODUCTORY SECTION

- Letter of Transmittal
- Organizational Chart
- Roster of Officials
- Consultants and Advisors

FINANCIAL SECTION

Independent Auditor’s Report

**Required Supplementary Information – Part I
Management’s Discussion and Analysis**

Basic Financial Statements

- A. District-Wide Financial Statements:
 - A-1 Statement of Net Assets
 - A-2 Statement of Activities

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

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

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

Notes to the Financial Statements

Required Supplementary Information – Part II

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

Notes to the Required Supplementary Information

- C-3 Budget-to-GAAP Reconciliation

Other Supplementary Information

- D. School Based Budget Schedules (**if applicable**):
- D-1 Combining Balance Sheet
 - D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual
 - D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual
- E. Special Revenue Fund:
- E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis
 - E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis
- F. Capital Projects Fund:
- F-1 Summary Schedule of Project Expenditures
 - F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis
 - F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis
- G. Proprietary Funds:
- Enterprise Fund:
- G-1 Combining Schedule of Net Assets
 - G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
 - G-3 Combining Schedule of Cash Flows
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- G-4 Combining Schedule of Net Assets
 - G-5 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
 - G-6 Combining Schedule of Cash Flows
- H. Fiduciary Funds:
- H-1 Combining Statement of Fiduciary Net Assets
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 - H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements
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- I. Long-Term Debt:
- I-1 Schedule of Serial Bonds
 - I-2 Schedule of Obligations under Capital Leases
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- J-1 Net Assets by Component
- J-2 Changes in Net Assets
- J-3 Fund Balances – Governmental Funds
- J-4 Changes in Fund Balances – Governmental Funds
- J-5 General Fund Other Local Revenue by Source

Revenue Capacity

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

- J-10 Ratios of Outstanding Debt by Type
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- J-12 Direct and Overlapping Governmental Activities Debt
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Demographic and Economic Information

- J-14 Demographic and Economic Statistics
- J-15 Principal Employers

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- J-16 Full-time Equivalent District Employees by Function/Program
- J-17 Operating Statistics
- J-18 School Building Information
- J-19 Schedule of Required Maintenance Expenditures
by School Facility
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*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

SINGLE AUDIT SECTION

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

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