

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:23A-16.2(i) requires that districts/charter schools 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/board of trustees 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/charter school 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/charter school 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 2011 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/charter school which has contracted for the audit or attestation engagement. Auditors should refer to Sections 3.82- 3.107 of the 2011 *Yellow Book* for guidance on Quality Control and Assurance Standards.

<http://www.gao.gov/assets/590/587281.pdf>

Audit Submission

N.J.S.A. 18A:23-1 provides that the annual audit must be completed no later than five months after the end of the fiscal year (December 1). *N.J.S.A. 18A:23-3* requires "...such accountant shall within five days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner" (December 5, 2014). No provision is made for the issuance of extensions beyond the statutory due date. If a school district /charter school fails to have an annual audit completed by December 1, the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district/charter school. The cost of conducting such an audit would be paid out of the funds of the school district/charter school.

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 district/charter school by the department.

Audit Reporting Package

- The (CAFR) Audit Reporting Package for all districts/charter schools consists of two separate and 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/board of trustees.
 - Auditors must refer to the "Instructions for Completion of the FY14 Single Audit Summary" at <http://www.state.nj.us/education/business/audit.htm> for a list of files that must be included on each CD-ROM submitted. Save the entire submission package on one CD-ROM and affix a label to the CD case or envelope which indicates "OFAC Copy," the district/charter school county, district/charter school code, and district/charter school name. In addition to the "OFAC Copy", districts that are not required to prepare school-based budgets must submit one appropriately labeled CD-ROM copy (to the Department of Education) containing the files specified in the "Instructions for the Completion of the FY 14 Single Audit Summary. School districts that prepare school-based budgets must submit two appropriately labeled CD-ROM copies (to the Department of Education) each containing only the files specified in the "Instructions for the Completion of the FY14 Single Audit Summary." School districts and charter schools are to refer to the Single Audit Summary and related instructions for completion for the Fiscal Year Ended June 30, 2014 to determine the number of paper copies required (**Section C**- Audit Items Submitted – Number of Copies), file names/formats required (Instructions to Section C), and the number of CD-ROM copies required (Section C). Note that school districts required to use school-based budgets provide three paper copies of the CAFR and AMR. Charter Schools and their audit firms are to refer to page III-1.5 of this Audit Program for additional filing requirements applicable to Charter Schools.
- Use of the exact file naming conventions when preparing CD-ROMs, flash drives and email attachments for distribution of the electronic files. This uniformity will facilitate transmission to the OFAC CAFR Repository.
- OFAC CAFR Repository. Districts/charter schools were first alerted to the creation of an OFAC CAFR Repository through the release of a broadcast memorandum dated November 7, 2011 available at: <http://education.state.nj.us/broadcasts/2011/NOV/07/4886/CAFR%20Repository.pdf>.

Refer to Attachment A to the November 7 2011 broadcast which presents a table detailing the file extensions. Note that transmission to the CAFR repository is to be completed by the district/charter school. File names must conform to exact file naming convention (file format) that must be followed when preparing all CD-ROMs, flash drives, and email attachments for distribution to the district/charter school and/or to the department. Files may not be password protected.

- It is the responsibility of every district/charter school to obtain the aforementioned electronic copy of the Audit Reporting Package from the auditor and also to ensure the file names and formats are prepared in accordance with the instructions referenced above. It is also the responsibility of district/charter school personnel to access the OFAC CAFR Repository and upload the entire Audit Reporting Package prior to the corresponding statutory deadlines. The OFAC CAFR Repository is an add-on to an existing application, DOE Folders. Each district/charter school may access DOE Folders at <http://homerom.state.nj.us/>. The OFAC CAFR Repository has been added to the menu of available items. The OFAC CAFR Repository is designed to automatically append the district/charter school code and a date stamp to each file name during the upload process. Electronic documents which are subsequently modified must be saved and resubmitted with the original file name. The date stamp will distinguish the revised file from earlier submissions. Files modified after the closing date (March 31, 2015 for FY 14 documents) must be burned to a CD-ROM and mailed to the department.

Audit Summary (Audsum)

- The audited data is entered in the DOE web application by the auditor and must be signed (electronic signature) by both the auditor and the district/charter school 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/charter schools. It must still be signed by the auditor, maintained in the auditor's workpaper files, and available to the department upon request.
- The Auditor 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)
Single Audit Summary (see Single Audit Section II-SA and the OFAC Website <http://www.state.nj.us/education/business/audit.htm>) Note that sections A, C, and F apply to all districts/charter schools and section D applies to those districts/charter schools subject to a federal and/or state single audit. Because the federal due date is later than the statutory submission date for filing the reporting package with New Jersey, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education/charter school board of trustees. Accordingly, the CD-ROMs of audit items submitted may be submitted on time without including the archived copy of the SF-SAC which then must be submitted at a later date under separate cover. Once the final SF-SAC is available, the auditor must provide a final copy to the district/charter school which the district/charter school must then transmit through the CAFR Repository. As stated above, the electronic data stamp will identify the time of submission. The submissions summary table on the following page is applicable to school districts and charter schools unless labeled "charter schools only."

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 (Must use federal IDES to submit SF-SAC and Single Audit reporting package electronically to the Federal Audit Clearinghouse)**	Federal Package** Federal Data Collection Form (Only required for districts/charter schools 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 *100 Riverview Plaza *Trenton, NJ 08625 PO Box 500 Trenton NJ 08625-0500 Telephone 609-984-5935	See Single Audit Summary for DOE submission requirements; number of copies required http://www.state.nj.us/education/business/audit.htm	Within five days
NJ Department of Agriculture Bureau of Child Nutrition Programs 33 W. State St. – 4 th Floor P.O. Box 334 Trenton, NJ 08625-0334 Attn. Mr. Gary Bur **IMPORTANT NOTE: Audit reporting package must be filed with the NJ Department of Agriculture <u>only</u> if the LEA received total combined funding in excess of \$100,000 from State Child Nutrition Programs and/or USDA Foods	Audit Reporting Package to include– AMR, & Corrective Action Plan (CAP) (Either CD or paper copy is acceptable. See mailing address to the left.)**	Within five days; One Copy
Executive County Superintendent of Schools	Audit Reporting Package – CAFR, AMR, & Corrective Action Plan (CAP)	Within five days - One copy

CHARTER SCHOOLS ONLY		
NJ Department of Education Office of Charter Schools Attention: Kathy Ambrosio P.O. Box 500 Trenton, NJ 08625-0500 Telephone 609-341-5298	Audit Reporting Package – CAFR (electronic copy only), AMR, Data Collection Form, Single Audit Summary & Corrective Action Plan (CAP) -email one copy to CharterFinance@doe.state.nj.us NO HARD COPIES SHOULD BE MAILED TO THIS ADDRESS, ONLY ELECTRONIC	Within five days - One copy

Applicable to school districts and charter schools – Single Audit Summary:

The Single Audit Unit in the Office of Fiscal Accountability and Compliance (OFAC) has designed a Single Audit Summary form which must be completed by auditors as follows:

- All Reporting packages must have Sections A, C and F completed (all questions must be answered).
- Auditors of districts/charter schools which have federal single audits and/or state single audits must complete Section D (all questions must be answered).
- The shaded sections are either completed by the Single Audit Unit or are automatically calculated.

This form replaced the Type A worksheet and the CAFR Information Schedule/Checklist which is no longer required. The form is available at the link titled “FY14 Single Audit Summary” accessed through the following link to OFAC’s website:

<http://www.state.nj.us/education/business/audit.htm>

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For districts/charter schools 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/Charter Schools, no submission to the Federal Clearinghouse should occur beyond November 30.
- 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 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: https://harvester.census.gov/fac/collect10/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 /charter school staff should prepare the A-133 corrective action plan in a timely manner so as to meet the filing deadline for submission to the Executive 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 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.

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.

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/charter schools may be subject to New Jersey 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)
Single Audit Summary

Corrective Action Plan – State requirements

The corrective action plan for the fiscal year under audit filed with the Executive County Superintendent addresses each finding included in the Auditor’s Management Report for the year under audit 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 Executive 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. Where a district does not have any audit findings and recommendations in their CAFR and AMR it is not necessary to prepare and file (with the Executive County Superintendent) a State Form corrective action plan marked “NONE.”

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/charter school’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/Board of Trustees**
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/charter school'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/charter school'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. [Illustrative Auditor's Report Under OMB Circular A-133](#), Example 13-6, Schedule of Findings and Questioned Costs, is available on page 353 of the 2013 edition of the AICPA Audit *Guide Government Auditing Standards and Circular A-133 Audits*.

The 2014 edition of the *Guide* is anticipated for release July 2014 at:

http://www.cpa2biz.com/AST/AICPA_CPA2BIZ_Browse/ONLINE_SUBS/Sets_on_AICPA_RESOURCE/Audit_and_accounting_guides/PRDOVR~PC-012743/PC-012743.jsp?selectedFormat=Paperback

The Governmental Accounting Quality Control (GAQC) has posted to the AICPA website illustrative reports 13-1 through 13-3 updated for the clarity auditing standards and the 2011 *Government Auditing Standards*. These illustrative audit reports are excerpts from Appendix A of chapter 13 of the 2013 AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*. These report illustrations, as well as 13-4 through 13-6 (13-6 is the illustrative Schedule of Findings and Questioned Costs) are incorporated into the 2013 edition of the *GAS-A133 Guide*. The 2014 edition of the *GAS-A133 Guide* is anticipated to be available for purchase on the AICPA website July 2014. Alternatively, auditors are encouraged to monitor the AICPA website for the posting of illustrative report 13-6, Schedule of Findings and Questioned Costs.

The illustrations include various examples of the reports issued to meet the reporting requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) for compliance for each major federal program and internal control over compliance. All reports reflect the requirements of the 2011 *Government Auditing Standards* and various clarity auditing standards. Access selected illustrative reports on the AICPA website at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/IllustrativeAuditorReportsforClarity.aspx>

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR.

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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. Pursuant to OMB A-133 the audit threshold for all recipients, including state and local governments is \$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 (GAS Circular A-133)* (AICPA Audit Guide - February 1, 2014) is available through the AICPA website and incorporates recent changes to the AICPA auditing standards and Governmental Auditing Standards.

http://www.cpa2biz.com/AST/AICPA_CPA2BIZ_Browse/ONLINE_SUBS/Sets_on_AICPA_RESOURCES/Audit_and_accounting_guides/PRDOVR~PC-012743/PC-012743.jsp?selectedFormat=Paperback

During the spring of 2013 the AICPA posted selected updated illustrative auditor reports for audits performed under *Government Auditing Standards* (Yellow Book), as well as under Office of Management and Budget (OMB) Circular A-133 to the AICPA Government Audit Quality Center (GAQC) webpage. The illustrative auditor reports are effective for audits of periods are reflective of the AICPA clarity auditing standards and the 2011 edition of *Government Auditing Standards*. The *GAS Circular A-133 Guide* is available for purchase from the AICPA and those select Government Auditing Standards Report illustrations and select OMB Circular A-133 Report illustrations are available through the AICPA website at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/IllustrativeAuditorReportsforClarity.aspx>

For additional guidance, the revised 2011 *Government Auditing Standards* (the 2011 Yellow Book) issued December 2011 by the U.S. General Accounting Office is available at <http://www.gao.gov/>

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/Charter School, a component unit of Sample County, as of and for the year ended June 30, 20X1, as listed in the table of contents...”. District/charter school staff and auditors should refer to the aforementioned GASB statements and GASB 37 for additional information on component units.

Independent 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 have been revised for periods ending after December 15, 2012 to coincide with the issuance of the AICPA's clarity auditing standards. The illustrative reports are published in Appendix A of chapter 13 of the 2013 AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits (GAS-A133)*. Select [Illustrative Auditor's Reports Under GAS \(4-1 through 4-7\)](#) and OMB A-133 (13-1 through 13-3) have been posted to the AICPA GAQC website at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/IllustrativeAuditorReportsforClarity.aspx>

Example

No.	Title
4-1	Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information—State or Local Governmental Entity

New Jersey Specific References to be included:

- In the **Auditor's Responsibility** paragraph after "...issued by the Comptroller General of the United States" the phrase "*and audit requirements as prescribed by the, Office of School Finance, Department of Education, State of New Jersey*" should be added.
- If the audit has been conducted in accordance with OMB A-133, refer to the illustrative auditor's reports 13-1 through 13-6 issued by the AICPA during 2013. Expand the title of the paragraph (as illustrated) "**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**" to include "**and State Financial Assistance**" and the content of the paragraph to include the phrase, "*and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.*"

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 <i>Government Auditing Standards (No Material Weaknesses No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters)</i>
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New Jersey Specific References to be included:

- The 3rd line of the first paragraph should be expanded to include the phrase "*and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*".
- In the section for Compliance and Other Matters", the last sentence should be expanded to include the phrase "*and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*" at the end of the sentence.
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

The sample audit reports listed above are based on the assumption that no modifications of opinion are required. Reports 4-4 through 4-7 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 included in the reports if such findings apply.

Auditors should reference the link above for the appropriate language to be included if significant deficiencies, material weaknesses, or reportable instances of noncompliance and other matters are identified.

SAS No. 117, Compliance Audits establishes standards and provides guidance on performing and reporting (in accordance with GAAS, Government Auditing Standards, and a governmental audit requirement that requires an auditor to express an opinion on compliance) on an audit of an entity's compliance with applicable compliance requirements of a governmental audit requirement.

Updated for the 2011 edition of *Government Auditing Standards*, as well as the clarity auditing standards, the 2013 edition of the AICPA Audit Guide, *Government Auditing Standards and Circular A-133 Audits*, is available for purchase from the AICPA website. An update through February 1, 2014 is anticipated for release during July 2014. During the spring of 2013, the AICPA posted select illustrative auditor's reports from the Audit Guide to the AICPA GAQC webpage. Available at the link below:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/IllustrativeAuditorReportsforClarity.aspx>

Expansion of the auditor's reports to include reference to New Jersey specific requirements is necessary. For example:

<i>Example No.</i>	<i>Title</i>
13-1	Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)

New Jersey Specific References to be included:

- In paragraph 1, sentence 1, of the Report on Compliance for Each Major Program, the phrase “*and the New Jersey State Aid/Grant Compliance Supplement*” should be added after the reference to the OMB Circular A-133 Compliance Supplement.
- In the Auditor's Responsibility, Opinion of Each Major Federal Program, Other Matters, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 paragraphs , , the phrases “*and the New Jersey State Aid/Grant Compliance Supplement*”; and the “*Schedule of Expenditures of State Financial Assistance*”; and “*the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*” and “*New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*” should be added, as appropriate..
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

13-6	Schedule of Findings and Questioned Costs
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The illustrative audit reports listed above are based on the assumption that no modification of opinion is required. Reports 13-2 through 13-5 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 included in the reports if such findings apply.

Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*, AU-C sec. 725) is effective for audits of financial statements for periods beginning on or after December 15, 2010. The AICPA issued an illustrative auditor's report under Circular A-133 that reflects updated reporting on the Schedule of Expenditures of Federal Awards under SAS No. 119 to be used when a separate single audit package is issued. When a separate single audit package is issued, the paragraph referencing the schedule of expenditures of federal awards is modified. The AICPA issued an illustrative report to address this specific situation:

That illustrative report (13-1) is available on the AICPA website at:

<http://www.aicpa.org/interestareas/governmentalauditquality/resources/illustrativeauditorsreports/downloadabledocuments/illustrativeauditorreports2013a133.pdf>

District/charter school auditors should refer to footnote #7 for changes to report verbiage applicable to audits of governmental entities updated for SAS No. 119.

New Jersey Specific References to be Included:

- Sentence 7, the phrase, “and the Schedule of Expenditures of State Financial Assistance” should be added after reference to the Schedule of Expenditures of Federal Awards
- Sentence 8, the phrase, “*and New Jersey OMB’s Circular 04-04*” should be added after reference to OMB Circular A-133
- Sentence 16, the phrase, “and the Schedule of Expenditures of State Financial Assistance” should be added after reference to the Schedule of Expenditures of Federal Awards
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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 New Jersey school districts/charter schools. They are not intended to be a boilerplate and should be included **only** if they apply to that district's/charter school'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/Charter School
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/Board of Trustees, Anytown School District/Charter School. The Board of Education/Board of Trustees/ 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 basis 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. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

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/Charter School
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/Charter School 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/charter school for the year ended June 30, 201X. 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, 201X.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

School/charter wide 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/charter school.

Program	Total
Title I, Part A: <i>Grants to Local Educational Agencies</i>	\$ 615,764
Title I, Part D: <i>Neglected & Delinquent Children</i>	150,319
Title I, Part C: <i>Education of Migratory Children</i>	497,682
Title II, Part D: <i>Enhancing Education Through Technology</i>	112,071
Title III: <i>Language Instruction for Limited English Proficient and Immigrant Students</i>	170,987
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 and district/charter school 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 website <http://www.nj.gov/njded/finance/fp/cafr/> .

Summary of Significant Accounting Policies – GASB 34, par.115 amended by GASBS 62, par. 4 ; GASB 38, 6-8

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

Capital Assets – GASB 34, par.116-118 amended by GASBS 63, par. 8; Capital Asset Impairment - GASB 42, par. 17 amended by GASBS 62, par. 45-49 and GASB 63, par. 8

Long-term Liabilities – GASB 34, par.116, 119 amended by GASBS 63, par. 8

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 amended by GASB 63 par. 8 and GASB 68 par. 122

Interfund Balances and Transfers – GASB 38, par. 14

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

Disclosures Effected by the Delay of One or More June State Aid Payments (N/A to charter schools)

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 affected 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/charter school'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/Charter School's Policy for Revenue Recognition

The department recommends that the district's/charter school'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 second 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.

Fund Balance Disclosures Including Disclosure of Deficit Fund Balance

GASBS No. 54, paragraphs 23 through 27 provides guidance for required disclosures regarding fund balance classification policies and procedures, reporting encumbrances, classification disclosures, and minimum fund balance policies. GASBS No. 54 paragraphs 18 and 19 provide the process for reporting negative residual restricted, committed, or assigned amounts.

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. This delay in the June payment is not applicable to charter schools.

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.	<u>(551,385)</u>	<u>(243,142)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	<u>\$ 23,103,523</u>	<u>\$ 8,066,740</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.		<u>(2,668,125)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$ 24,209,664</u>	<u>\$ 5,294,195</u>

Auditor's Note – The following POST-RETIREMENT BENEFITS information is statewide data and should be utilized in the 2013-14 district/charter school CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2013.

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, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

(GASB Cod. Sec. 2300.107(v))

Auditor's Note – The following sample footnote disclosures are notes that are frequently omitted from school district/charter school 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/charter school.

NOTE X. COMPENSATED ABSENCES

The district/charter school 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/charter school employees are granted varying amounts of vacation and sick leave in accordance with the district's/charter school's personnel policy. Upon termination, employees are paid for accrued vacation. The district's/charter school'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/charter school for the unused sick leave in accordance with the district's/charter school's agreements with the various employee unions.

In the district/charterwide *Statement of Net Position*, 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.

X = Applicable footnote number in the district's /charter school's CAFR.

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, 201X, 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 [N/A to charter schools]

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, 201_ LRFP balance of local support costs of uncompleted capital projects at June 30, 201_ 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(1))

NOTE X. TRANSFERS TO CAPITAL OUTLAY [N/A to charter schools]

During the year ending June 30, 201_, 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:23A-8.4* [OR STATE IF THE TRANSFER WAS APPROVED BY THE EXECUTIVE COUNTY SUPERINTENDENT TO SUPPORT AN EMERGENT CIRCUMSTANCE PURSUANT TO *N.J.A.C. 6A:23A-13.3(h)*.]

(NJ Department of Education)

NOTE X. RISK MANAGEMENT

The district/charter school 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/charter school 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/charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the district/charter school 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/charter school is billed quarterly for amounts due to the state. The table on the following page is a summary of district/charter school contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's/charter school's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District/ Charter school Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013 – 2014	\$	\$	\$	\$
2012 – 2013				
2011 – 2012				

(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/charter school 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 [N/A to charter schools]

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 cannot 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 [N/A to charter schools]

General Fund [Exhibit B-1] - Of the \$_____ General Fund fund balance at June 30, 201__, \$_____ is reserved for encumbrances; \$_____ has been legally restricted in accordance with *N.J.A.C.* 6A:23A-8.5(j) as the 2013-2014 additional spending proposal was not fully expended; \$_____ has been legally reserved for tuition adjustment in accordance with *N.J.A.C.* 6A:23A-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. FUND BALANCE APPROPRIATED [Charter Schools Only]

General Fund [Exhibit B-1] - Of the \$_____ General Fund balance at June 30, 201__, \$_____ is reserved for encumbrances; \$_____ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(l))

NOTE X. CALCULATION OF EXCESS SURPLUS [N/A to charter schools]

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. 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, 2014 is \$_____.

(NJ Department of Education & GASB Cod. Sec. 2300.107(1))

NOTE X. FEMA Community Disaster Loan (CDL)

General Fund [Exhibits A-1, A-2, B-1, B-2, C-1] – The school district applied for and received a CDL in response to the devastating effects on the property tax ratable base of the municipality due to Superstorm Sandy in October 2012. The district was approved for \$ _____ total loan and chose to withdraw \$ _____ as a reduction of the tax levy assessed for the 2013-14 school year. The amount of principal and interest accrued through June 30, 2014 is \$ _____ and \$ _____ respectively. This loan is subject to FEMA review in 2016 and may be fully or partially cancelled based upon FEMA's calculation of the revenue loss that the district experienced over a specified period. The loan matures in 2018.

NOTE X. Community Development Block Grant (CDBG)

General Fund [Exhibits A-1, A-2, B-1, B-2, C-1 and C-1/b] – The school district received a CBDG in the amount of \$ _____ which reduced the General Fund Levy for 2013-14. The grant was received in response to an application filed by the municipality due to devastating effects on the property tax ratable base of the municipality due to Superstorm Sandy in October of 2012. This essential service grant was used to fund “essential services” including “_____” expenditures are detailed in fund 19.

(GASB Cod. Sec. 2300.107(1))

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, and since amended by GASBS 54 and 63. This statement (GASB 44) revises the current statistical section of the Comprehensive Annual Financial Report (CAFR). New Jersey school districts/charter schools first implemented GASB 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 governmentwide 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 GASB 44 as applied to New Jersey school districts/charter schools. 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/charter schools. Districts/charter schools may elect to present additional relevant statistical data, but for purposes of comparability between districts/charter schools, they should follow the basic format presented in the samples. The school district illustrations are available on the NJDOE Office of School Finance 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/charterwide 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/charter schools 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/charter school 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 [N/A to Charter Schools]
J-7	*Direct and Overlapping Property Tax Rates [N/A to Charter Schools]
J-8	Principal Property Taxpayers (Current Yr and Nine Years Ago) [N/A to Charter Schools]
J-9	*Property Tax Levies and Collections [N/A to Charter Schools]
Debt Capacity Information	
J-10	* Ratios or Outstanding Debt by Type
J-11	*Ratios of General Bonded Debt Outstanding [N/A to Charter Schools]
J-12	Direct and Overlapping Governmental Activities Debt [N/A to Charter Schools]
J-13	*Legal Debt Margin Information [N/A to Charter Schools]
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/charter school Employees by Function/Program
J-17	* Operating Statistics
J-18	* School Building Information
J-19	*Schedule of Allowable Maintenance Expenditures by School Facility (NJ) [N/A to Charter Schools]
J-20	Insurance Schedule (NJ)
J-21	Charter School Performance Framework, Financial Performance, Fiscal Ratios (Charter Performance Indicators.xls) Refer questions to : charterfinance@doe.state.nj.us

Note to charter school business offices and charter school auditors:

The Financial Performance Framework, Financial Performance, and Fiscal Ratios section was designed as a starting point for the NJDOE to assess the financial health and viability of charter schools in New Jersey. The Framework, containing both near term and sustainability indicators, is a monitoring tool that provides the NJDOE with key data that summarizes a charter school's current financial health, while taking into account the school's financial trends over a period of three years. Near term indicators provide an understanding of a school's financial picture in the upcoming school year, while sustainability indicators depict a school's financial viability over time. In total, eight different measures provide a snapshot of a school's near term financial health, historic trends, and future viability; this allows the NJDOE to proactively address areas of concern. The Performance Framework can be accessed at the NJDOE web site: <http://www.state.nj.us/education/chartsch/PerformanceFramework.pdf> Section II-Financial Performance provides the explanations for the mandatory computations of the J-21 indicators for inclusion in the charter school Statistical Tables section.

Indicators and Measures:

1. Near-Term Indicators

- a. Total Margin
- b. Debt to Asset Ratio
- c. Cash Flow
- d. Debt Service to Coverage Ratio

2. Sustainability Indicators

- a. Current Ratio
- b. Unrestricted Days Cash on Hand
- c. Enrollment Variance
- d. Default on Loans