FINANCIAL ACCOUNTING
FOR
NEW JERSEY CHARTER SCHOOLS

THE AUDIT PROGRAM
FY 2003-04

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
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Appendix A School Aid calculation and District Payment Schedule

Appendix B Enrollment Count Instructions (June 1, October 15, February 15, Last Day of School Year)

SUMMARY OF SIGNIFICANT STATUTORY, REGULATORY AND POLICY ISSUES

N.J.S.A. 18A:36A-11(a)

A charter school shall operate in accordance with its charter and the provisions of law and regulation which govern other public schools except that, upon the request of the board of trustees of a charter school, the Commissioner may exempt the school from State **regulations** concerning public schools, except those pertaining to assessment, testing, civil rights and student health and safety, if the board of trustees satisfactorily demonstrates to the Commissioner that the exemptions will advance the educational goals and objectives of the schools. **There are no exemptions from State statutes.**

The auditor should take care in evaluating each law that may or may not be applicable to a charter school. As an example, since a charter school does not receive state aid directly, some laws applicable to state aid may not apply to a charter school.

N.J.S.A. 6A:11-7.2 – Enrollment counts, payment process and aid adjustments

Charter schools, by law, are paid a per pupil amount along with all applicable categorical aid for all students enrolled in the charter school. It is imperative that the independent auditors test the submission of the charter school enrollment counts in accordance with instructions given in the Audit Program. Both the Department of Education and the public school districts depend on the reliability of this enrollment data in determining the amount of charter school aid a charter school is entitled to.

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INTRODUCTION

This manual entitled Financial Accounting for New Jersey Charter Schools, (The Audit Program), includes instructions for both charter school management and public school accountants regarding preparing for and performing the annual audit, and is updated annually.

Significant changes are highlighted and include the following:
General – these changes will be found throughout the document wherever references to the subject exist.

- Deleted areas that were applicable to pre-GASB 34 financial reporting.
- NJOMB Circular 04-04 ingle Audit Policy for Recipients of Federal Grants, State Grants and State Aid supercedes 04-04-OMB effective January 1, 2004 and in accordance with OMB Circular A-133 (Revised June 27, 2003), raises the threshold for all recipients, including state and local governments, to $500,000.
- 2003 Edition of U.S. General Accounting Office publication, Government Auditing Standards Yellow Book) strengthens and clarifies the auditing standards.

Specific – these changes will be found in the sections/chapters noted.
Section I-1

- GASB Statement No. 39, Determining Whether Certain Organizations are Component Units is effective for years beginning after June 15, 2003 and addresses when to include a potential component unit's statements in the charter school's statements as a component unit.
- Noted that school business administrator is responsible for transmission of Audsum data.

Section I-3

- Clarification of the pupil classification for Special Education Tiers.

Section I-8

- Emphasis on auditor review of year-end encumbrances with Hotline issued on September 16, 2003.

Section II

Layuout of chapters has been revised to reflect the GASB 34 groupings – Governmental Funds, Business Type Activities, and Fiduciary (see crosswalk below).

2002-03 Audit Program		2003-04 Audit Program
NA		Section II-GF-Perm Permanent Funds
Section II - 50: Proprietary Funds		Section II - 50 Proprietary Funds (includes Internal Service Funds
Section II - 60 Trust and Agency Funds		Section II - 60 Trust and Agency Funds (Includes Student Activity Funds)
Section II - 70 Student Activity Funds		NA
Section II - 80 General Fixed Asset Account Group		Section II - CA Capital Assets
Section II - 90 General Long-Term Debt Account Group		Section II - LT Long Term Liabilities

Section II-10

- Web site for TPAF data.
- Schedule of Required Maintenance must reflect all years up to ten.

Section II-GF-Perm

- New section on Permanent Fund.

Section II-50

- Child Nutrition Programs are subject to OMB A-133 and NJOMB revised threshold of $500,000.
- Noted that monthly reimbursement claims were made online effective October 2003.
- Reminder that audit findings related to Child Nutrition programs should be included in the School Food Services section of the Auditor's Management Report.
- Updated National School Lunch Rates (annual revision).

Section II-60

- Financial reporting of Section 457 Deferred Compensation Plans.
- Incorporated chapter on Student Activity funds under Agency Funds.

Section II-CA

- New topic reporting of capital assets acquired through non-cash grants.
- New topic – depreciation expense.

Section II-LT

- General Long-Term Debt Account Group replaced by Long Term Liabilities for financial reporting.

Section SA

- Schedule of State Financial Assistance format has been revised to include a MEMO column for total expenditures, consistent with NJ OMB 04-04 requirements. Also, the budgetary receivable has been moved to the MEMO column. Due to the size of the schedule, the adjustments or repayment of prior year claims columns may be eliminated if not applicable.
- Consolidated Aid was new for 2003-04; state aid number listed, and aid line included in revised Schedule of State Financial Assistance.

Section III-1

- Noted certain changes in the Yellow Book regarding peer review letters of comment to be sent to the charter school which has contracted for the audit.
- Noted $500,000 single audit threshold set by OMB 133 and NJ OMB Circular 04-04.
- Audit Summary data is transmitted to the DOE by the School Business Administrator.
- NJ Department of Agriculture (NJDOA) reporting requirements to follow OMB 133, C_320(e)(2) in that if there are no audit findings related to funds passed through NJDOA to the charter school and no prior year findings for follow up, a letter of notification using the OMB 133 format is preferred by the NJDOA.
- Auditors may participate voluntarily in sending NJ Department of Education an Adobe diskette with the CAFR. The hard copy is still required.

Section III-2

- Noted that AICPA combined the Statement of Position 98-03 into a new audit guide, Audits of State and Local Governments, and Not-for-Profit Organizations Receiving Federal Awards.
- Auditor opinion reports are updated to reflect illustrations in the above new Audit Guide (Federal Guide) and the existing AICPA Audits of State and Local Governmental Units, GASB 34 Edition.

Section III-4

- New sample audit findings include charter school procedures to maximize efforts under Special Education Medicaid Initiative (SEMI) and under Nonpublic State Aid, emphasis that project completion reports must be submitted to the department on time.

Section III-8

- Overall update to reflect GASB 34 terminology and removal of pre-GASB 34 references.

The financial reporting requirements of Governmental GAAP include the issuance of a comprehensive annual financial report (CAFR) that encompasses all funds and account groups. The CAFR is the basis for the annual audit. See the *Outline for Comprehensive Annual Financial Report* section of this manual as well as the end of this introduction for additional information on the CAFR. It contains disclosures that will be common to most charter schools. **Each CAFR should include all the disclosures required under GAAP reporting**. New Jersey state law and administrative code (*N.J.S.A.*18A:4-14 and *N.J.A.C.* 6A:23-2) require charter schools to follow GAAP. These principles are augmented with the release of

statements from the Governmental Accounting Standards Board (GASB). In June 1999 GASB released Statement No. 34 (**GASB 34**) that requires changes in financial reporting for state, local and special purpose governments including charter schools.

The following table specifies when charter schools are required implement GASB 34.

Charter Schools with total annual revenues at June 30, 1999	Implement GASB 34 for fiscal year beginning
$100 million or more (phase 1)	July 1, 2001
At least $10 million but less than $100 million (phase 2)	July 1, 2002
Less than $10 million (phase 3)	July 1, 2003

Some charter schools have already implemented GASB 34 financial reporting requirements. **All remaining charter schools must implement GASB 34 for the year ending June 30, 2004 and thereafter.**

Annual revenue as defined in GASB 34 has been further clarified in the GASB Implementation Guide, entitled Guide to Implementation of GASB Statement 34 on Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and should be computed using the modified accrual (GAAP) basis rather than budgetary. Since Audsum data is on a budgetary basis, the department recommended that every charter school consult with its auditor to determine in which year the charter school should implement GASB 34.

Reference Materials

There are many reference materials published by outside organizations that are available to provide guidance in report preparation. The Government Finance Officers Association (GFOA) has a publication Governmental Accounting, Auditing and Financial Reporting, commonly known as the "blue book" that is used nationwide as a reference tool for CAFR preparation. A "Supplement" was published in January 1999. A revised publication, which is updated for Governmental Accounting Standards Board (GASB) No. 34, is also available through the GFOA. The American Institute of Certified Public Accountants (AICPA) issues a publication 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

Governmental GAAP requires the issuance of a comprehensive annual financial report (CAFR) by every charter school, along with interim financial statements to facilitate management control of financial operations. Financial statements are the responsibility of the charter school's management and are its representation of the financial position at a given point in time and the operations of the charter school during a period of time.

Government Auditing Standards, commonly referred to as the "Yellow Book" are applicable to organizations that expend $500,000 or more in federal financial assistance. As required by Circular Letter 04-04 OMB, New Jersey charter schools that expend $500,000 or more in State and/or federal financial assistance in their fiscal year must also follow the Yellow Book. In January 2002, the General Accounting Office (GAO) announced revisions to the auditor independence requirements under Government Auditing Standards (3.11 et seq.). The most significant change relates to the rules associated with nonaudit and consulting services performed by those who also plan, conduct and review audit work. The department recommends that charter school management and auditors give careful consideration to this change in the independence standard and its impact on the auditors of the charter school financial statements. The new Independence standard established in Amendment No. 3 is effective for all audits for periods beginning on or after January 1, 2003..

On June 25, 2003, the GAO announced the release of a new edition of the Government Auditing Standards. The new standards are applicable for audits ending after January 1, 2004. The revision to the independence standard noted above has been incorporated in the Government Auditing Standards 2003 Revision, the revised "Yellow Book". The 2003 version is available only in electronic format at the web site www.gao.gov or can be ordered from the Government Printing Office (212-512-1800). Also posted on the web site is a list of major changes from the 1994 version.

The charter school is required to prepare the financial statements and have them ready for the annual audit. The auditor's responsibility is to express an opinion on the annual financial statements based on their audit, not for the preparation of those reports. The Department of Education will require the submission of the reports described below on or before the statutory deadline (November 5, 2004 for 2003-04 audits):

1. **The CAFR**

   The CAFR is the charter school's official annual report. It should include all of the funds and account groups of the charter school. It is organized into three primary sections: 1) an introductory section, 2) a financial section and 2) statistical section. If a charter school falls under the reporting requirements of the Single Audit Act of 1984, as amended by Single Audit Act Amendments of 1996 and revised OMB Circular A-133 and/or reporting requirements under NJOMB Treasury Circular Letter 04-04, the CAFR will also contain a single audit section. This report will strictly adhere to the following table of contents located on pages 9-12 in The Audit Program. This report must include all sections, letters and exhibits as they apply to each charter school as well as any additional statements, schedules, and disclosures required under the circumstances of the charter school. The report must also include all applicable single audit opinion letters prepared by the charter school's auditor in the single audit section. The opinion letters must be in conformance with the applicable sample single audit letters located in section III – Chapter 2 of The Audit Program

2. **The Auditors' Management Report on Administrative Findings, Financial, Compliance and Performance**

   This separate report will serve as the auditors' 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 Auditors' Management Report is located in Section III –Chapter 4.

3. **Audit Summary Worksheet**

The Audit Summary Worksheet (Audsum) diskette must be completed by the auditor and given to the charter school Board Secretary or Business Administrator. The Board Secretary/Business Administrator is responsible for carefully reviewing the reports generated by the Audsum diskette and signing off on the transmittal letter as to the accuracy of the information. The Board Secretary./Business Administrator is responsible for the transmission of the Audsum data via the DOENET to the Department of Education by the due date of the CAFR. Two separate reports must be submitted; one for the start up period of the charter school and the second for the twelve month school year. This information is used by the Department of Education for a variety of purposes, including downloading into the actual column of the EDC budget tool issued by the department. **It is very important that Auditors and charter school personnel pay particular attention to the accuracy of the data.**

The Department of Education will require the submission of the two separate reports and the Audit Summary Worksheet diskette described below on or before the statutory deadline (November 5, 2004 for 2003-04 audits).

The procedure for submission of the two separate reports 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 that is required for conformance with Governmental GAAP. The Auditors' Management Report is the auditor's report to the charter school management 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 charter school is necessary.

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, reportable conditions 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, discrepancy or other nonconformity to the law, together with recommendations to the board of trustees. Accordingly, the Auditor's Management Report must include **all** findings, including any items contained in the Schedule of Findings and Questioned Costs.

The statutory deadline for submission will be strictly enforced. Charter School aid may be suspended consistent with N.J.S.A. 18A: 55-2 for any charter school with an audit report, including the Audit Summary Worksheet Diskette, outstanding after the November 5, 2004 submission date.

The Commissioner will also consider exercising his statutory authority (N.J.S.A. 18A: 23-6) to appoint auditors for charter schools failing to meet the statutory deadline or invoking other administrative actions. This will apply to all late audits.

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

New Jersey statute (N.J.S.A.18A:4-14) requires that charter schools maintain bookkeeping consistent with the generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The financial reporting requirements of GAAP include the issuance of a Comprehensive Annual Financial Report (CAFR) that encompasses all funds and account groups. These financial statements are the responsibility of the charter school's management. In January 2002, the General Accounting Office (GAO) announced revisions to the auditor independence requirements under Government Auditing Standards (see the Introduction to the Audit Program). The most significant change relates to the rules associated with nonaudit and consulting services performed by those who also plan, conduct or review audits. The department recommends that charter school management and auditors give careful consideration to this change in the independence standard and its impact on the auditors of the charter school financial statements. The revisions to the independence standard were incorporated in the *Yellow Book 2003 Revision* released in June 2003 and effective for audits of financial periods ending on or after January 1, 2004. The document can be accessed at www.gao.gov/govaud/ybk01.htm. A list of the major changes from the 1994 Revision is also available on that web site.

The charter school should prepare the financial statements, including management discussion and analysis, and have them ready for the annual audit.

GASB 34 Model –Charter schools should reference the NJ Department of Education (NJDOE) website at www.state.nj.us/njded/finance/fp (click on GASB 34) for selected sample statements updated for GASB 34, including the basic financial statements and budgetary comparisons which are in excel files that can be downloaded. Information on Management Discussion and Analysis (MD&A) requirements, a crosswalk from the pre-GASB 34 statements, Frequently Asked Questions, and theoretical information is 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, after consultation with the NJASBO GASB 34 Taskforce and the NJSCPA, is requiring that each governmental fund be treated as a major fund in the fund statements for GASB 34 presentation. Questions relating to GASB 34 implementation can be emailed to doecafr@doe.state.nj.us.

The format of the CAFR should adhere to the prescribed sectioning of the report and numbering of the exhibits as shown in the Outline on the following pages (or the DOE GASB 34 web site noted above). Charter schools should use the applicable outline for GASB 34 statements. If a section or exhibit is not applicable to the charter school, the notation "N/A" should be indicated against that item in the Table of Contents.

Financial reports prepared under GASB 34 will be presented utilizing the same overall format as pre-GASB 34 financial reports – Introduction, Financial, Statistical and Single Audit Sections.

The contents of each section of the CAFR highlighting GASB 34 variations are as follows:

Introductory Section – This section is intended to familiarize the reader with the organizational structure of the charter school, the nature and scope of the services it provides, and the specifics of its legal operating environment. It is primarily designed for the taxpayer.

> **GASB 34 Model** - This section provides an overview of the annual report and will be similar to the pre-GASB 34 model. It is important that the letter of transmittal avoid duplicating information already provided in detail elsewhere in the CAFR (GASB 34, fn 7). Some of the minimum requirements (set by GASB 34, paragraph 11) for the contents of Management Discussion & Analysis (MD&A) are similar to the information currently presented in the letter of transmittal.

Financial Section - This section includes the independent auditors' report, general-purpose financial statements, notes to financial statements, and combining and individual fund and account group statements and schedules. It is primarily designed for oversight and legislative bodies.

> **GASB 34 Model** -This section includes the 1) independent auditor's report, 2) MD&A, 3) basic financial statements including the charter school-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) RSI other than MD&A including budgetary comparison schedules, 5) Other Supplementary Information including combining and individual fund statements, and additional schedules. Certain combining schedules may not be applicable. For example, if a charter school has only two programs in the Proprietary Fund, a combining schedule would not be necessary. The School Level Schedules (D series in the GASB 34 Outline) should only be included for Abbott districts. Indicate by "N/A" when a schedule is not applicable.

Statistical Section – This section is intended to provide CAFR users with a broader and more complete understanding of the charter school and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section. Statistical information to assist charter schools and auditors in preparing this section is posted on the NJDOE website at www.state.nj.us/njded/finance/fp (click on Audit Information).

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 NJ OMB Circular Letter 04-04.

OUTLINE OF CAFR
(GASB 34 MODEL)

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. Charter School-wide inancial 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 Balance.....
- 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 Balance Sheet
- B-5 Statement of Revenues, Expenditures and Changes in Fund Balances
- 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-2 Budgetary comparison Schedule – Special Revenue Fund

Notes to the Required Supplementary Information

C-3 Budget-to-GAAP Reconciliation

Other Supplementary Information

D. School Level 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 Revenues and Expenditures Special Revenue Fund – Budgetary Basis……..

F. Capital Projects Fund:

F-1 Summary Schedule of Project Expenditures .....

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Assets……
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.
G-3 Combining Statement of Cash Flows

Internal Service Fund:

G-4 Combining Statement of Net Assets……...
G-5 Combining Statement of Revenues, Expenses and Change ..... In Fund Net Assets……..
G-6 Combining Statement of Cash ……...

H. Fiduciary Funds:
- H-1 Combining Statement of Fiduciary Net Assets
- H-2 Combining Statement of Changes in Fiduciary Net Assets
- H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements
- H-4 Payroll Agency Fund Schedule of Receipts and Disbusements.....

I. Long-Term Debt:

- I-1 N/A
- I-2 Schedule of Obligations under Capital Leases.....
- I-3 Debt Service Fund Budgetary Comparison Schedule..... .....

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- J-1 Governmental Fund Expenditures by Function.....
- J-1a Schedule of Allowable Maintenance Expenditures by School Facility.....
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- J-6 General Fund Other Local Revenue By Source
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- J-8 Attendance Data.....
- J-9 Insurance Schedule.....
- J-10 Miscellaneous Statistics.....

* Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

SINGLE AUDIT SECTION

K-1 Report on Compliance and on Internal Control over Financial Reporting 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 Internal Controls Over Compliance in Accordance with USOMB Circular A-133 and New Jersey OMB Circular 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 Finding

APPOINTMENT, SCOPE AND DECLARATIONS

Appointment of Auditor

N.J.S.A. 18A: 23-8 requires that an audit of the accounts of a charter school be made only by a registered municipal accountant or a certified public accountant of New Jersey who holds an uncanceled registration license as a public school accountant for New Jersey. In accordance with NJOMB Circular 04-04 charter school management must obtain the audit firm's latest external quality control review report (peer review) prior to appointing said firm for the annual audit.

A charter school board of trustees should refer to *N.J.A.C.* 6A:23-2.2(i), effective July 1, 2001 for recent regulations on obtaining audit firm peer reviews (www.state.nj.us/njded/code/title6a/chap23/). The code requires that charter schools engage only licensed public school accountants who have had a peer review performed in accordance with the Yellow Book and obtain a copy of the audit firm's peer review. The board of trustees is required to review the report prior to the engagement of the annual audit, and to acknowledge its review of the report in the minutes that authorizes the engagement of the public school accountant. Generally when a request for proposal (RFP) is issued for annual audit services, audit firms will submit their peer review with the RFP. A returning audit firm will generally submit their peer review with the engagement letter.

On June 25, 2003, the U.S. General Accounting office (GAO) released a new edition (2003) of Government Auditing Standards, commonly referred to as the Yellow Book. The 2003 Yellow Book supercedes the 1994 version and Amendments 1 through 3. The new standards are applicable for financial audits and attestation engagements of periods ending on or after January 1, 2004 and for performance audits beginning on or after January 1, 2004.

Section 3.52 of the 2003 Yellow Book requires an external peer review of their auditing and attestation engagement practices at least once every 3 years. Section 3.55 requires that this report be provided to the party contracting for the audit (i.e. charter school). Any firm that fails to provide the report is not in compliance with Government Auditing Standards. Section 3.03 of the 2003Yellow Book states, "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence." The 2003 Revision of the Yellow Book is available in electronic format at the GAO web site www.gao.gov. Printed copies of the 2003 Revision of the Yellow Book are available for purchase from the Government Printing Office. To order printed copies of Government Auditing Standards (2003 Revision) at a cost of $17.00 per copy, please contact the Government Printing Office. To order printed copies of Government Auditing Standards (2003 Revision) at a cost of $17.00 per copy, please contact the Government Printing Office, Superintendent of Documents at (202) 412-1800, or visit the GPO website at http://bookstore.gpo.gov. When ordering the document, please refer to jacket #300-672 or stock # 020-000-0284-1.

The external quality control review determines whether the audit firm's internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed. When deficiencies are found, the audit firm is expected to identify and take corrective measures to prevent the same types of deficiencies from

happening in the future. Prior to appointing an audit firm for the annual audit, the charter school should carefully review the audit firm's latest external control review taking into consideration the type of report issued (unqualified, qualified or adverse). When the type of report issued is other than an unqualified opinion, charter schools should discuss the report with the auditor, taking into consideration the date of the report in relation to the audit period being contracted for, the nature of the noted deficiencies in relation to the services being contracted for, and if the deficiencies have been corrected and when. Charter schools may also contact the AICPA Peer Review Team or the New Jersey Society of Certified Public Accountants with general inquiries concerning the AICPA Peer Review Program and for assistance in understanding the Peer Review Program.

Rules of Professional Conduct

The public school auditor must follow the rules of professional conduct required by N.J.A.C. 13:29-3 et seq. and promulgated by the Board of Accountancy, Department of Law and Public Safety.

Cooperation with the Auditor

Because the compensation of the auditor is determined by the amount of time required to complete the audit, the auditor should not perform routine office work. Charter school personnel are expected to perform the following actions and have certain documents ready in advance of the audit
Audit checklists to be completed by the Board Secretary/Business Administrator will be sent to charter school personnel at the same time the Audit Program is issued. See Section III-6 for a copy of the Checklist. The Auditor Questionnaire incorporates those actions and documents listed in the Board Secretary/Administrator Questionnaire. Irregularities shown by answers given to questions in the Auditor Questionnaire must be covered by a comment and recommendation in the Auditor's Management Report.

Scope of Audit

The audit shall include an audit of the books, accounts and moneys and a verification of all cash and bank balances of the charter school, and of any officer or employee thereof, and of any organization of public school pupils conducted under the auspices of the charter school. The following funds and accounts must be examined:

1. General Fund
2. Special Revenue Funds
3. Capital Projects Funds
4. Permanent Funds
5. Enterprise Funds and Internal Service Funds
6. Trust and Agency Funds
7. Student Activity Funds

In May 2002 GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units.* Effective for fiscal years beginning after June 15, 2003 it is recommended that charter school auditors consider the materiality of closely related organizations such as an education foundation or booster club, when determining whether to discretely present the statements of that organization in the charter school's CAFR as a component unit. Paragraph 6 of GASB 39 states, "It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity."

The areas of responsibility concerning completion of the audit and timely submission of the CAFR, the Auditors' Management Report, the Data Collection Form (if applicable) and the Audit Summary Worksheet diskette are as follows:

Responsibility for the preparation of the CAFR rests with the charter school. It is understood that some charter schools may need assistance in preparing the CAFR. Arrangement for assistance should be negotiated between the charter school and the public school accountant. A clear understanding of the roles of each party should be reached as close to the start of the audit field work as possible.

Responsibility for the completion of the Audit Summary Worksheet diskette rests with the auditor. The charter school is responsible for the transmission of the 2003-04 Audsum to the DOE. The charter school is responsible for carefully reviewing the reports generated by the diskette and signing off on the transmittal letter as to the accuracy of the information. Signatures of both the auditor and School Board Secretary/Business Administrator are required. This information will be the source documents generating financial comparisons for the general public and for federal reporting.

The auditor's responsibility is to perform an audit for the purpose of rendering an opinion on the fairness of the basic financial statements. The audit is to be performed in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing* Standards, issued by the Comptroller General of the United States; performing tests as prescribed by the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, USOMB Circular A-133, NJOMB Circular Letter 04-04 (which supercedes NJ OMB Cir 98-07). The auditor is also responsible for reviewing the unaudited sections of the CAFR. Adjustments required as a result of the audit procedures performed should be reflected in the CAFR issued by the charter school. See Section II-SA for required submission of reports.

DECLARATION OF ACCOUNTANT

N.J.S.A. 18A: 23-9. Declaration of Accountant. "No person shall undertake the auditing of the accounts of any charter school unless he shall have qualified as a public school accountant for New Jersey upon proof that he is either a registered municipal accountant or a certified public accountant, of New Jersey, and by subscribing to the following declaration:

a. That he is fully acquainted with the laws governing the fiscal affairs of charter schools of New Jersey and is a competent and experienced auditor; and

b. That he will honestly and faithfully audit the books and accounts of any charter school when engaged to do so, and **report any error, omission, irregularity, violation of law, discrepancy or other non-conformity to the law, together with recommendations, to the management of such charter school.**"

MEETINGS AND MINUTES

Meetings of Public Bodies – The Sunshine Law

In enacting the Open Public Meetings Act, the legislature declared that secrecy in public affairs undermines public faith in government and that the right of the public to witness in full detail all phases of the deliberation, policy formulation and decision-making of public bodies is vital to the proper functioning of the democratic process. (N.J.S.A. 10:4-6 et seq.)

In general, the statute requires that the public be given advance notice of and the right to attend meetings of public bodies and that all discussions and official actions, unless specifically exempted, take place in public.

Minutes must be kept of all meetings, which at a minimum must include the announcement of the presiding person at the commencement of the meeting, the time and place of the meeting, and the names of the members present, the subjects considered, the actions taken and the vote of each member on any items voted upon. The following should be detailed in the minutes:

a. A list of all employees, salaries and wages approved by the board.

b. The final approved budget.

c. Details of the annual organization meeting of the board.

d. Lists of claims approved for payment by the board.

e. Summary of monthly financial statements of the charter school management.

f. Authorization for advertising for bids, with summary of the bids received and subsequent award of same.

g. Full detail of budget transfers.

h. Capital Improvement Authorizations, Proposals, and/or Adoptions.

i. Resolutions for deposits into and withdrawals from a capital reserve account.

h. Loan agreements.

Minute Records

The proceedings of the meetings of the board of trustees should be recorded in a bound or an acceptable loose-leaf type minute book and signed by the by the charter school management. The auditor should review the minutes. This procedure is necessary to check on the actions of the board of trustees, particularly with respect to the submission of monthly financial reports, the approval of claims, adoption of the budget, budget amendments, advertisements for bids and other financial matters of importance to the auditor. Minutes must include as a minimum the requirements of the "Sunshine Law" per N.J.S.A. 10:4-6 et seq.

CHARTER SCHOOL AID

The Charter School Act of 1995 requires that "the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district a presumptive amount equal to 90% of the per pupil amount for a specific grade level in the district.

Note: On May 11, 2000, The Council on Local Mandates issued a ruling which determined that "the portion of the charter school regulation codified at N.J.A.C. 6A:11-1.2 that was added pursuant to amendments effective June 1, 1998, and that defines 'local levy budget per pupil for the specific grade level' as the program budget per pupil is an unfunded mandate" and therefore ceases to be mandatory and expires. Therefore, for any payments to charter schools made subsequent to May 11, 2000, resident districts shall pay 90% of the lower of either the program budget per pupil or the maximum T&E amount.

On January 14, 2000, Chapter 385 Law of 1999 was approved to provide direct state funding to any charter school which operates a full-day kindergarten program and which is located in an Abbott district. The aid provided is in addition to all other funds to which the charter school is entitled pursuant to section 12 of P.L. 1995, c. 426 (C. 18A:36A-12). The law expires after the 2000-01 school year. However, funds are appropriated in the budget through budget resolution.

Additionally, in November 2000, pursuant to N.J.S.A. 18A:36A-12(d), first year charter school students who attended non-public schools last year are funded by the state with direct payments to the charter school.

A sample of the charter school aid payment schedule is included in Appendix A.

School Register

The school district of residence must enroll charter school students in the school register and treat them as resident students for purposes of state aid. The charter school's responsibility is to ensure the attendance of those students enrolled in their school in accordance with N.J.A.C.6A:11-4.3. A student who has been absent 10 days for an unknown reason must be reported as a dropout and the charter school must immediately notify the school district of this condition in writing.

All copies of source documents related to the determination of state aid (i.e. Application for Free and Reduced Meals and Free Milk, workpapers listing all special education students by tier, workpapers listing bilingual education students) must be maintained in both the school district of residence and the charter school.

The auditor is required to review the charter school's registers, workpapers and supporting documentation for all registered students for accuracy.

Enrollment Counts

During the school year, a charter school conducts an enrollment count on June 1, October 15, February 15 and the last day of the school year. A charter school shall submit each count through the DOEnet Enrollment Count System for the purposes of determining average daily enrollment. (See Appendix B) Accurate maintenance of the enrollment system is vital so that the resident districts can rely on the accuracy of the payment schedules.

The requirements for the auditors will be to conduct an audit of all four enrollment counts. **The importance of these counts was discussed previously concerning the fact that the school register is the source document for which revenue is derived in a charter school.**

The Schedule of Audited Enrollments is included in the Auditors' Management Report as a supplementary schedule and is subjected to the same auditing procedures applied in the examination of the charter school's basic financial statements.

Charter schools must complete the enrollment count submission, which documents the compilation of register data for the purposes of charter school aid calculation and provides an audit trail for the auditor to use as a basis for testing. Charter schools are required to prepare written internal procedures, which should provide a description of the count process for the four required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count. The workpapers, original supporting documentation and internal procedures should be maintained on file for a period of seven years.

Sampling Methods/Sizes - Audit Procedure

Testing should include samples from each of the enrollment count dates, i.e. June 2003, October 15, 2003, February 15, 2004, and the last day of school 2004. The sample selected for the enrollment submission will result in testing all the specifics to the student selected in that sample. In accordance with Charter School Code 6A:11-7.2 (k)1,4, the June 1st enrollment count is based on signed registration forms on June 1; therefore, the audit of the first count sampled will be a verification of the enrollment submission to the department to signed registration forms. The next three enrollment submissions are based on actual enrollment into the charter school; therefore, the audit of the next three counts sampled will be verification of the number of days enrolled and agreement to the school register.

The auditor must audit 100% of the records over the four enrollment counts utilizing a "sampling without replacement" method. This means that once a student record is randomly selected for testing, that record is excluded from the sample pool for the subsequent counts. Utilizing this "non-replacement" method ensures that the auditor examines 100% of the student records. For example, if total charter school enrollment is 500 students, the June 1 sample size is 125 out of possible 500 records. The October 15 sample is 125 out of remaining 375 records. The February 15 sample size is 125 out of remaining 250 records. The last day of school count sample is the remaining 125 students. The auditor should pay particular attention to students that have either enrolled into or transferred out of the charter school during the school year to ensure that they are included in the testing and that the enrolled days are accurate.

Note: Since student enrollment is the source data for charter school funding, auditors are advised to be diligent in verifying the accuracy of the information. Any discrepancies are to be documented and reconciled.

Enrollment Count Submission (See Appendix B)

On Roll - Samples from each enrollment count must be tested to verify that the number of pupils enrolled agrees with the associated number reflected on the charter school's workpapers. The auditor will attest to the number of days that the child was enrolled. Note: on the June 1st count it is assumed that the child will be there for the year, therefore, the auditor will attest to verification of the enrollment submission to a signed registration form.

Special Ed/ Bilingual - For each student tested where there was a submission of Special Ed/ Bilingual, the auditor must verify the documentation to support the classification and verify the number of days the services were rendered to that child. Note: on the June 1st count it is assumed that the child will be there for the year, therefore, the auditor will attest to verification of the enrollment submission to a signed registration form and IEP.

Bilingual Education -- Bilingual education programs are provided to students identified as limited English proficient (LEP) to help them develop academic skills while acquiring English language skills. There are currently three programs as follows:

- Bilingual programs with content area instruction in the native language provided when there are 20 or more LEP students of a single language group in a charter school.
- ESL-only (ESL) programs are provided when there are 10 or more LEP students in a charter school.
- English Language Services (ELS) programs are provided when there are at least 1, but fewer than 10, LEP students in a charter school.

Program plans for Bilingual/ESL, ESL-only and English Language Services programs are submitted every three years. The current three-year cycle began in July 2002, and will end in 2005. All programs operate from September to June.

Bilingual education, ESL or English Language Services programs are provided to students identified as limited English proficient (LEP) by a state established standard on an English language proficiency test. The following students, who are enrolled in the charter school as of October 15, 2003, are eligible to be reported:

- Resident and nonresident students identified as Limited English Proficient (LEP), in accordance with N.J.A.C, 6A:15-1.3(c), who are participating in an approved bilingual, ESL, or ELS program and

- Students who continue to need and participate in bilingual, ESL or ELS program services on the basis of multiple indicators as per N.J.A.C.6A:15-1.10(b).

The number of eligible students must be supported by a listing which includes each student's name and the ID number of the register on which they are enrolled. LEP students counted in bilingual education cannot also be counted in a special education tier category.

Trace the LEP students selected to the registers to ensure that the students were on roll as of October 15. Verify that the charter school submitted an English Language Service, ESL, or a Bilingual/ESL plan to the department, which received approval.

Charter schools may use one of three tests to identify students of limited English proficiency:

- Language Assessment Scales (LAS), published by CTB/McGraw Hill
- IDEA Proficiency Test, published by Ballard & Tighe Publishing Company or
- MAC II Test of English Language Proficiency, published by Touchstone Applied Science Associates.

To verify LEP eligibility for a student entering the program for the first time, first determine that the student falls below the language proficiency standard specific to the test (see the following pages) and meets at least one other indicator as per N.J.A.C. 6A15-1.3(c). Other indicators include the following:

- Reading level in English;
- Previous academic performance;
- Achievement on standardized tests in English; and
- Judgment of the teaching staff members responsible for the educational program of the student.

Please note that the bilingual education code (N.J.A.C 6A:15-1.10) stipulates that LEP students can be exited from bilingual/ESL/ELS program services when they have demonstrated readiness to function successfully in an English-only program on the basis of their score/level on a language proficiency test and multiple indicators including, but not limited to those listed above. Thus, some students may be retained for program services even though their language proficiency test scores are at the standard. Charter schools may continue to report these students as LEP.

Auditors should compare the student's raw score to the state standard score for the appropriate grade level. If the student is above the standard score, auditors should ascertain that other multiple criteria were met by inquiry of school personnel and review of district documentation on the multiple criteria.

The Schedule of Audited Enrollments that is required to be included in the Auditors' Management Report includes a section for the bilingual category.

Further information can be found on the web site:
http://www.state/nj.us/njded/bilingual/resources/prof_tests.shtml

Language Proficiency Test Standards for Determining Limited English Proficiency,

Language Assessment Scales (LAS) – CTB/McGraw Hill

Use the LAS Language Proficiency Index (LPI) to determine program placement.

LPI (RW/O)	Category	Description
1/2 1/3	LEPa	low-level R and W skills mid-level (limited) L and S skills
1/4 1/5	LEPb	low-level R and W skills high-level (proficient) L and S skills
2/2 2/3	LEPc	mid-level R and W skills mid-level (limited) L and S skills
2/4 2/5	LEPd	mid-level R and W skills high-level (proficient) L and S skills
3/2 3/3	LEPe	high-level R and W skills mid-level (limited) L and S skills
3/4	FEP	high-level R and W skills high-level (proficient) L and S skills

Standard
Any student that places below the FEP (Full-English Proficient) category and has at least one other indicator as per N.J.A.C. 6A15-1.3(c) is limited English proficient.

Other indicators include the following:
- Reading level;
- Previous academic performance;
- Achievement on standardized tests in English; and
- Teacher judgment.

IDEA Proficiency Test (IPT) - Ballard and Tighe Publishers

Use the IPT designations to determine program placement.

Oral Tests
- Non-English Speaker
- Limited-English Speaker
- Fluent-English Speaker

Reading Tests
- Non-English Reader
- Limited-English Reader
- Competent-English Reader

Writing Tests
-Non-English Writer
-Limited-English Writer
-Competent-English Writer

Standard

Any student who falls in the "limited" category or below, in any of the tests, oral, reading, or writing and has at least one other indicator as per N.J.A.C. 6A:15-1.3(c) is limited English proficient.

Other indicators include the following:
- Reading level;
- Previous academic performance;
- Achievement on standardized tests in English; and
- Teacher judgment.

Using Multiple Criteria for Program Entry and Exit

Charter schools must continue to use multiple indicators, as specified in code [N.J.A.C. 6A:15-1.3(c) and 6A:15-1.10(b)] to determine which students need English as a Second Language (ESL) and/or bilingual program support and which students can function independently in a monolingual English classroom. These indicators must be used for both identification of LEP students and for determining readiness to exit from bilingual/ESL/ELS program services.

MACII Test of English Language Proficiency -Touchstone Applied Science Associates

Use the Standard Score Cut Points to determine program placement.

Standard Score Cut Points*				
Test Level	Grade	Fall	Spring	SEM**
Red	K	210	220	8
	1	566	588	14
Blue	2	548	564	12
	3	558	574	12
Orange	4	543	559	10
	5	556	569	11
Ivory	6	545	557	10
	7	551	562	10
	8	555	567	10
Tan	9	549	560	10
	10	558	570	11
	11	568	583	11
	12	580	593	11
*For grades 1-12, cut points are set for Total Battery scores. For grade K, cut points are set in terms of total Speaking and Listening scores.				

**The standard error of measurement (SEM) of a test is a measure of reliability that represents the amount by which a score may vary due to errors of measurement. Thus, the larger the SEM, the greater the likelihood that a student might be misclassified. The SEM can be used to establish a band within which errors are most probable. For students whose scores fall within the band defined by the cut score plus or minus one SEM (e.g., 539 to 559 for Fall, 9th grade), additional data should be used to corroborate the placements.

Using Multiple Criteria for Program Entry and Exit

Charter schools must continue to use multiple indicators, as specified in code (*N.J.A.C. 6A:15-1.3c) and 6A:15-1.10(b))* to determine which students need English as a Second Language (ESL) and/or bilingual program support and which students can function independently in a monolingual English classroom. These indicators must be used for both identification of LEP students and for determining readiness to exit from bilingual/ESI/ELS program services. Use of the multiple indicators is particularly important when a student's test score is close to a cut point (as determined by the standard error of measurement (SEM). These other indicators include:

- Reading level;
- Previous academic performance;
- Achievement on standardized tests in English, and

- Teacher judgment.

Special Education Tiers

All educationally disabled students were to be reported in their appropriate special education "Tier" category (see below) based upon the student's eligibility category and not on the program they are receiving. Educationally disabled students who are graded (Resource Center) are assigned to a level in the "tier category" based on the following grade level table:

Grade Level (as of 10/15/03)	School
K-5	Elementary School
6-8	Middle School
9-12	High School

Educationally disabled students who are un-graded (Self-Contained) are assigned to a "tier category" based on the following age based table:

Age (as of 10/15/03)	School
10 and under	Elementary School
11-13	Middle School
14-21	High School

Students reported by grade should not include any classified disabled students. All classified disabled students should be reported in their appropriate "Tier" category. Students must be listed in the appropriate Tier category based upon the student's individualized education program (IEP). Please note that the school register is maintained by program type with an identification field to indicate a student's classified disabled students on the DOE-Net by classification. **Classified disabled students are reported on the DOE-Net by the classification they are included in.**

Auditor's Note – In respect of the confidentiality provision involving a student's IEP, we recommend that the auditor not make photocopies of IEPs chosen as part of the test sample. The auditor may suggest that a representative of the charter school be present to ensure compliance with the aforementioned provision. Additionally, the charter school may require the auditor to sign the pupil access record to document the disclosure of this information.

Pursuant to N.J.A.C. 6A:14-4.7(a) special class programs are redefined as serving students with similar educational needs in accordance with their IEPs. The following tiers are described for audit evaluation.

Tier I - Includes the number of special education (SE) classified students receiving each related service (up to four per student). Related services pupils are pupils classified for other than speech-language services who receive related services including, but not limited to, occupational therapy, physical therapy, speech-language therapy, and counseling. Classified pupils shall be eligible to receive aid for up to four services under Tier I of the special education aid formula.

Students classified prior to July 6, 1998 or meeting the new eligibility criteria after July 6, 1998 were to be counted on the ASSA in the Tier II, Tier III or Tier IV designations below.

Tier II – Includes pupils not receiving Tier IV intensive services meeting the eligibility criteria for one of the following:

- Specific learning disabled
- Traumatic brain injury
- Cognitively impaired-mild
- Preschool disabled
- All classified pupils receiving services pursuant to chapter 46 of Title 18A in shared time county vocational programs in a county vocational school which does not have a full child study team and nonclassified students in state training schools or secure care facilities.

Tier III – includes pupils not receiving Tier IV intensive services meeting the eligibility criteria for cognitively impaired-moderate, orthopedically impaired, auditorily impaired, communication impaired, emotionally disturbed, multiply disabled, other health impaired or visually impaired and, nonclassified students in juvenile community programs.

Tier IV – includes pupils classified as eligible for special education and students receiving intensive services. For the 2003-2004 school year, Tier IV students are students meeting the eligibility criteria for autistic or cognitively impaired-severe, and other students who receive one or more of the following intensive services that must be specified in the pupil's IEP:

1. Individual Instruction
2. Pupil: Teacher-Aide Ration of 3:1 or Less
3. High Level Assistive Technology
4. Extended School Year (at least 30 days in addition to the school year)
5. Intensive Related Services
6. Interpreter Services
7. Personal Aide
8. Residential Placement for Educational Purposes, and
9. Individual Nursing Facilities

Auditor's Note – A student that has a special education classification **and** is receiving any one or more of the intensive services listed above (traced to a student IEP) should be reported in Tier IV and **not included** in Tier II or III. A Tier IV student can also receive Tier I service.

Low-Income Students

Obtain the workpapers and verify that there are valid "Applications for Free and Reduced Price Meals" or "Free Milk" on file to support the number claimed for each school. The district and the charter school should have the documentation on file for free lunch information. Only those students who have been determined to be eligible for **Free Meals** (not reduced meals) or **Free Milk** under the National School Lunch Act and the Child Nutrition Act as of October 16, 2003 are low-income students for the purposes of applicable charter school aid. A valid application is one, which contains all the required information and signatures. The paperwork should be filed in the charter school and the district. **It is the responsibility of the charter school to provide the district with the necessary documentation for purposes of state aid and submission of ASSA to the state.**

Errors detected in income classifications during the testing of applications for the school lunch fund/child nutrition audit which impact the low income classifications, should be applied to the low-income count

when applicable. Remember these students must be on the enrollment count as of the lsat school day prior to October 16 to be counted. The verified count must reflect all adjustments discovered during the above procedures. If the workpapers do not agree with the DOEnet reports, these variances must be reported on the Schedule of Audited Enrollments, as well.

It will be necessary to include any items of noncompliance or negative comments in the Single Audit section of the report, along with the appropriate recommendation.

Additional Audit Procedures:

In addition to the testing of enrollment reported, the public school accountant should also verify that the charter school maintains written internal procedures that provide a description of the enrollment count process. Source documents include signed registration forms, school register, student IEPs, free/reduced lunch forms.

These written procedures should include the following information:

1) How the count was taken,

2) Who was responsible for compiling the data and completing the enrollment count,

3) The various personnel assigned responsibilities for collecting the data

4) Procedures for verification of student registration with the local school district prior to enrollment in the charter school.

5) Procedures to ensure that all source documents such as signed registration forms, student transfer cards, "application for free or reduced lunch", verification for eligibility of bilingual services or IEPs are included in student files.

6) Student attendance procedures, including the use of the school register.

7) A procedure to ensure that the budget is revised to reflect changes in the charter school revenue.

8) Procedures for conducting the four enrollment counts, student additions and deletions, security procedures, location of DOE-Net manual, location of DOE final reports, reporting of information to the district and appropriate follow-up.

9) Follow-up procedures to identify student information to be corrected in the subsequent count.

The auditor is required to document any enrollment system findings/deficiencies in the Auditor's Management Report. If the charter school did not use the sample workpapers or develop an alternative audit trail, the auditor shall include a comment that the necessary verifications and sampling could not be performed and a recommendation that the workpapers be used or an alternative audit trail (which is acceptable to the auditor) be established for future audits. The auditor should include a comment and recommendation for any differences noted on the Schedule of Audited Enrollments.

BUDGET & TRANSFERS

The Budget

Preparation of the budget is one of the most important functions of the charter school management. The approved budget should be detailed on the 108 line item budget summary form prescribed by the Department of Education in the New Jersey Charter School Application. All revenue data and expenditure data items and their classifications are explained in a narrative description with the budget summary in the charter school application. The State of New Jersey's fiscal year-end is June 30; however, some charter schools have programs that extend into July and August. The following options are available to the charter schools:

1) Establish July 1 to June 30 as the fiscal year and defer revenue to cover expenses for July and August that relate to the previous school year.

2) Use alternative fiscal year (i.e. 9/1- 8/30, 8/1-7-31 etc.) to correctly match expenses with revenue. If the charter school's fiscal year ends within the first quarter of the State's subsequent fiscal year (i.e. July 1-September 30) it is acceptable to incorporate the fiscal year of the charter school, in lieu of the State's fiscal year-end. (Codification of Governmental Accounting and Financial Reporting Standards 2600.113). The fiscal year should always be at a month end, i.e. if the school year ends 7/15, then the fiscal year would run 8/1 to 7/30.

Once the option is chosen, the charter school cannot elect to change their option. In addition, in the first year of operation, a charter school will submit two reporting periods; the startup period, January 1 to beginning of the fiscal year, and a twelve-month fiscal year.

Budget Transfers

In situations where a charter school charges for meals or receives state or federal meal subsidies, the activity of its food service operations must be accounted for in an enterprise fund. Charter schools have been provided accounting guidance in Chapter 14 of the GAAP technical systems manual. All costs related to the program must be shown in the enterprise fund. Any board contribution, including the payment of certain salaries or other identified specific expenditures should be budgeted and expended as a transfer to cover deficit on line 75, Miscellaneous Support Services expenditures. For CAFR presentation, the budgeted and actual transfer should be presented as a general fund operating transfer.

No transfers should be made from the general fund to the special revenue fund for expenditures in excess of the grant budget. In this instance, the Board's contribution to the program should be coded to the applicable general fund expenditure account, with the exception of benefits.

No transfer may be made under N.J.S.A 18A:22-8.2 from appropriations or surplus accounts for:

(a) Capital Reserve Fund
(b) Items classified as current expenses
(c) Items classified as capital projects

Transfers from appropriations or surplus accounts may be made within the general fund. When specifically approved by the Commissioner, transfers of surplus may be made at any time by board

resolution and may be made within the original annual budget. Transfers of appropriations may be made by board resolution at any time during the fiscal year.

Under the revised finance and business services code (*N.J.A.C.*6A:23-8.6(b)(1)), adopted on August 5, 2002, regular charter schools cannot transfer unreserved, undesignated fund balance such that the remaining unreserved general fund balance is less than three percent of the charter school's proposed budget "without a written request and detailed justification to, and approval from, the County Superintendent." Charter schools required to request approval under this provision should submit the written request and justification to the County Superintendent prior to requesting their board of trustees approval of the surplus transfer. Only after such written approval is provided should a charter school board of trustees adopt a board resolution to transfer undesignated fund balance for the approved purpose.

GASB 34 Model - Presentation of interfund balances and transfers
Charter school statements (accrual basis):
GASB 34, paragraph 58 requires eliminations of interfund receivables and payables in the *Statement of Net Assets* except for the net residual amounts due between governmental and business-type activities, which should be presented as internal balances. Amounts reported in the funds as receivable from or payable to fiduciary funds should be included in the *Statement of Net Assets* as receivable from and payable to external parties rather than as internal balances. Paragraph 59 requires eliminations in the *Statement of Activities* to remove the "doubling-up" effect of internal service fund activity.

Funds statements (modified accrual basis):
For governmental funds, interfund transfers should be reported as other financing uses in the funds making the transfers and as other financing sources in the funds receiving transfers. In proprietary funds, revenues from transfers should be reported separately after non-operating revenues and expenses (GASB 34, Paragraph 112).

Notes disclosures:

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraphs 14 and 15 require specific disclosures on interfund balances and transfers.

"Governments should disclose in the notes to the financial statements the following details about interfund balances reported in the fund financial statements:

a) Amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type
b) The purpose for interfund balances
c) Interfund balances that are not expected to be repaid within one year from the date of the financial statements

Governments should disclose in the notes to the financial statements the following details about interfund transfers reported in the fund financial statements:

a) Amounts transferred from other funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type
b) A general description of the principal purposes of the government's interfund transfers

c) The intended purpose and the amount of significant transfers that meet either or both of the following criteria:
   1. Do not occur on a routine basis – for example, a transfer to a wastewater enterprise fund for the local match of a federal pollution control grant
   2. Are inconsistent with the activities of the fund making the transfer – for example, a transfer from a capital projects fund to the general fund."

BIDS & CONTRACTS/PURCHASING

Bids &Contracts

Effective April 17, 2000, N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law) is revised by P.L.1999,c.440 . The associated rules were drafted and promulgated by the Department of Community Affairs (DCA), with consultation from the Commissioner of Education. A copy of the law along with additional materials on the revisions to the law and the associated rules can be found at www.state.nj.us/njded/psc1.

Highlights of N.J.S.A. 18A:18A (Public School Contracts Laws), amended

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in *N.J.S.A. 18A*:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at *N.J.A.C. 5:34-4* of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) was amended with P.L. 1999, c.440 to raise the bid threshold and require award by board resolution. In addition, the statute was amended to provide for an even higher threshold when there is a "Qualified Purchasing Agent" in the charter school as defined at *N.J.A.C. 5:34-1.1* and certified upon approval of an application submitted to DCA.

> "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of $17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the board without public advertising for bids and bidding therefore, except that the board may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."
>
> "If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the board may establish that the bid threshold may be up to $25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section."
>
> *N.J.S.A.* 18A:18A-3(b) was amended with P.L.1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of *N.J.S.A.* 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."
>
> *N.J.S.A.* 18A:18A-4 sets forth the requirement for advertising, and was amended to address the disqualification of a vendor. P.L. 2002, c.90 amended this statute to permit a board of trustees to disqualify a low bidder of any board or, in the case of a contract for a school facilities project, the New Jersey Economic Development Authority has had a "prior negative experience" with the bidder.

"Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

The board may, by resolution approved by a majority of the board and subject to subsections (b) and (c) of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board finds that any board, or in the case of a contract for a school facilities project, the New Jersey Economic Development Authority, has had prior negative experience with the bidder within the past 10 years, as reported in a contractor evaluation submitted pursuant to *N.J.S.A.* 18A:18A-15 or in a school facilities project performance evaluation submitted pursuant to regulations of the Department of the Treasury or section 62 of P.L. 2000, c 72 (C.18A:7G-36) as appropriate."

N.J.S.A. 18A:18A-4.1 provides boards of trustees the ability to use competitive contracting in lieu of public bidding for the procurement of specialized goods and services above the bid threshold for the following purposes:

- proprietary computer software;
- hiring of a non-profit entity or not-for-profit entity under Title 15A;
- services performed by an energy services company;
- telecommunications transmission or switching services;
- specialized machinery or equipment of a technical nature;
- food services

N.J.S.A. 18A:18A-4.4 provides boards of trustees the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in section 45 of P.L. 1999, c.440 are desired to be contracted."

N.J.S.A. 18A:18A-5 contains exceptions to the requirement for advertising and was amended with P.L. 1999 c.440 to include the below exceptions; this section should be referenced by the auditor for more details on these and other changes.

- expenses for travel/conferences;
- support/maintenance of proprietary computer software/hardware;
- purchase of goods/services at rates set by Universal Service Fund – FCC;
- student funded and benefited projects, e.g. yearbooks, class rings, class gift;
- food services pursuant to procedures established by the New Jersey Department of Agriculture; and
- vending machines for food and drink.
- Goods/services for which the lowest of three quotes is at least 10% less than the state contract price (see subsection (e) for award requirements)

N.J.S.A. 18A:18A-7 addresses emergency contracts that exceed the bid threshold, and was amended by P.L. 1999 c.440 to require the person in charge of the facility where the emergency occurs to notify the purchasing agent in writing of the circumstances and the need to invoke such action. Pursuant to this statute, charter schools must also comply with the implementing regulations at *N.J.A.C.* 5:34-6.1 and *N.J.A.C.* 6A:26-3.16

N.J.S.A. 18A:18A-10 permits the use of state contracts, and is amended by P.L. 1999 c.440 to require a board resolution for authorization for a charter school to do so.

N.J.S.A. 18A:18A-15 addresses general specifications for goods/services and was amended by P.L. 1999 c.440 primarily in the following areas:

- establishes a new requirement for a prospective bidder to challenge bid specifications in writing no less than three business days prior to bid opening.
- subsection (c) expands the discrimination clause to include creed, color, ancestry, and marital status, affect ional or sexual orientation, etc.
- allows that goods/services purchased by funds from a bequest, legacy or gift that specifies a manufacturer or vendor may be treated as an exception to the bidding requirement.

N.J.S.A. 18A:18A-21 addresses the requirements for advertising bids, and is amended by P.L. 1999 c.440 to set forth requirements for notification of revisions or addenda to advertisements or bid documents.

N.J.S.A. 18A:18A-22 is substantially amended by P.L. 1999 c.440, and establishes a list of criteria as bases on which a board may reject all bids.

N.J.S.A. 18A:18A-37 describes the awarding of contracts below the bid threshold and was amended by P.L. 1999, c.440. Subsection (a) describes the requirements for awarding contracts below the bid threshold.
"For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (a) of *N.J.S.A.* 18A:18A-5, except for paragraph (1) of that subsection concerning professional services and paragraph (3) of that subsection concerning work by employees of the board, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable."

Subsection (c) describes the requirements for small purchases.
"If authorized by the board by resolution, all contracts that are in the aggregate less than 15 percent of the bid threshold may be awarded by the purchasing agent without soliciting competitive quotations."
This section should be referenced by the auditor for more details on these and other changes..

Charter schools must comply with *N.J.S.A.* 18A:18A-37 and 42.1 and 7 CFR. 210.16 when entering into School Food Service Management Company Contracts.

Pursuant to *N.J.S.A.* 18A:39-3, the threshold for bidding of transportation contracts is $12,800.. Implementation of P.L. 1999, c.440 did not amend or repeal 18A:18A:49.1 that states "the provisions of this chapter shall not apply to contracts for the transportation of pupils to and from school, which contracts are regulated by Chapter 39 of this Title."

N.J.S.A. 18A:18A-42 allows contracts of less than 3 years to be extended that contain a provision for extensions of no more than one two-year or two one-year extensions, provided the board adopts resolution complying with a set of conditions. The cost increase in extended contracts is limited to index rate percentages as posted by DCA at www.state.nj.us/njded/psc1.. No contract can be extended so that it runs more than a total of five consecutive years.

The following are basic categories of such extensions with the corresponding aggregate terms. The statute should be referenced for specific limitations and restrictions.

	ITEM	AGGREGATE TERMS (YEARS)
(1)	Fuel for Heating	3
(2)	Fuel/Oil for Vehicles	3
(3)	Thermal Energy (Approved by Board of Public Utilities)	40
(4)	Removal of Snow and Ice	3
(5)	Garbage Collection	3
(6)	Data Processing Services	7
(7)	Insurance	3
(8)	Leasing of Equipment in accordance with rules and regulations of the State Board of Education	5
(9)	Sale and lease-back of textbooks and non-consumable instructional materials	5
(10)	Voice, Data, Transmission and Switching Services	5
(11)	Driver Education	3
(12)	Goods and Services for the purpose of conserving energy	15
(13)	Laundry Service	3
(14)	Purchases under contract awarded by Division of Purchase and Property in Treasury	Term not to exceed term of Contract
(15)	Any single project for construction, reconstruction or rehabilitation of any public building for length of time authorized for completion of actual construction.	Length of Time Authorized.

N.J.S.A. 18A:18A-45 addresses manner and method of sale of personal property, and requires, in addition to the board resolution, a sealed bid or public auction process; it also provides that if the estimated value exceeds 15 percent of the bid threshold, it must be sold at public auction. The auditor should refer to this section for additional information and changes.

Review of Purchase Orders

As discussed in Section I, Chapter 8, "Year-End Procedures", charter schools should have ready for the auditor a listing of each type of order:

1) those that represent orders for which the goods have been received or the services have been rendered at fiscal year-end but have not been paid (accounts payable);

2) those that represent orders which will be honored in the subsequent year within 60-90 days of year end;

3) all others.

Orders in category 1 must be charged against the current year budget, the related encumbrances reversed, and a liability (accounts payable) established. Orders in category 2 will be rolled over into the next fiscal year and will be shown in the fiscal year-end general fund balance sheet as a reserve for encumbrances. As a general rule, the orders in category 3 should be canceled. As documentation of the review, charter

schools must provide the auditor with separate listings of the category 1 orders and category 2 orders for each governmental fund. The total of each category 1 list must agree with the fiscal year-end balance in the general ledger balance sheet account for accounts payable of the applicable fund. The total of each category 2 list must agree with the fiscal year-end balance in the general ledger balance sheet account for the reserve for encumbrances of the applicable fund. (Note: Additional entries are necessary for outstanding special revenue fund purchase orders as explained in Section I. Chapter 8. Also, for CAFR presentation, in the special revenue fund, the reserve for encumbrances is grouped with deferred revenue in the GAAP balance sheet). Local school auditors must review the lists and their related documentation and challenge the propriety of the charter school's classifications. Particular attention must be given to the subsequent liquidation of the orders to determine if an audit adjustment is necessary for additional orders that should be canceled.

(Note: Additional entries are necessary for outstanding special revenue fund purchase orders as explained in Section I, Section 8. Also, for CAFR presentation, in the special revenue fund, the reserve for encumbrances is grouped with deferred revenue in the GAAP balance sheet.)

A purchase order represents a commitment against an appropriation. Purchase orders should not be issued without an underlying contract or actual order of goods or services. Blanket purchase orders should not be issued. The auditor's review of orders for blanket purchase orders should not be limited to purchase orders outstanding at fiscal year-end. The issuance of blanket purchase orders at any time during the year should be reported by the auditor as a finding and recommendation in the Auditors' Management Report.

Credit Cards

Use of credit cards for purchase of goods or services is prohibited. Statutory requirements direct how boards of trustees may purchase goods and services and establish the procedures to follow in paying for the purchase of goods and services. Purchases made by charter schools must comply with N.J.S.A. 18A:18A-1 et seq. as amended by P.L 1999 c.440, the Public School Contracts Law for purchases on or after April 17, 2000. The payment of claims by a charter school must comply with N.J.S.A. 18A:19-1 et seq., "Expenditure of Funds; Audit and Payment of Claims." These regulations are intended to ensure that competitive bidding procedures are followed and certifications regarding the authenticity of claims are received. Pursuant to N.J.S.A. 18:19-13 and N.J.A.C. 6A:23-2.9, a charter school may establish a petty cash fund at the beginning of each year or as needed, for the purpose of making immediate payments of comparatively small amounts. Large purchases should be made through the contractual order system.

CHART OF ACCOUNTS/EXPENDITURE CLASSIFICATIONS

Prescribed System of Double-Entry, GAAP Reporting and Bookkeeping Records

N.J.A.C. 6A:23-2 requires charter schools to maintain a double-entry, self-balancing set of accounts and records in accordance with Generally Accepted Accounting Principles (GAAP). The New Jersey Administrative Code, *N.J.A.C.* 6A:23, Subchapter 2 prescribes further regulation regarding the accounting.

N.J.A.C. 6A:23-2.2(g) requires that the charter school management adopt a chart of accounts that is prepared in conformity with the guidelines established by the Department of Education. The minimum level of detail (minimum outline) for expenditure accounts to be maintained in the chart of accounts for compliance with Department of Education and federal reporting requirements is presented in Appendix A of The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools.

N.J.A.C. 6A:23-2.11(a)2 states that when a board of trustees adopts an expanded chart of accounts, the board shall adopt a policy concerning the controls over appropriations for line item accounts which exceed the level of detail required under the minimum outline. If a charter school fails to adopt such a policy, the restrictions regarding overexpenditure of funds apply to line item accounts that exceed the minimum level of detail.
The Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA) became effective on December 20, 1996, and was first applied to the 1997-1998 fiscal year. On September 2, 1997, *N.J.A.C.*6:19 was adopted pursuant to *N.J.S.A.* 18A:7F-34 to achieve the provisions of the Act. Effective August 4, 2002, the rules to effectuate CEIFA were revised and brought in to the Finance and Business Services Code, *N.J.A.C.6*A:23, Subchapters 5 and 8.

The Department of Education publication entitled GAAP for New Jersey School Districts, A Technical Systems Manual must be utilized in the evaluation of a charter school's maintenance of the double-entry system of accounting in accordance with N.J.S.A. 18A: 4-14. The Department of Education does not prescribe a standard format for the ledgers and journals used to maintain the accounting records, but instead gives general descriptions of each in the manual. Charter school auditors must be adequately familiar with the publication to perform the annual audit.

Additional references for GAAP accounting include the Government Finance Officers Association (GFOA) Governmental Accounting, Auditing and Financial Reporting, commonly known as the "Blue Book" and Governmental Accounting Standards Board (GASB) statements and pronouncements.

New Jersey Administrative Code 6A:23-2.7 requires that charter school board of trustees which contract for electronic data processing bookkeeping services obtain an audit of the internal controls of the service company or agency as prescribed by Statement of Auditing Standards No. 70, as amended by SAS 88, of the American Institute of Certified Public Accountants.

Expenditure Classifications and Reporting

Expenditures must be reported in the proper fund in the minimum outline format. As explained in Section I, Chapter 8, two sets of financial data are presented in the CAFR for the special revenue fund - budgetary basis, which includes encumbrances as expenditures for the special revenue fund only, and GAAP.

GASB 34 Model
The *Statement of Revenues, Expenditures, and Changes in Fund Balance* (B-2) reflects the general fund and the special revenue fund revenues and expenditures on the GAAP modified accrual basis.

The *General Fund Budgetary Comparison Schedule* (C-1) reflects the GAAP modified accrual basis for revenues with the exception of the last state aid payment which is recognized as revenue for budgetary purposes but deferred for GAAP purposes, and GAAP for expenditures.

The *Special Revenue Budgetary Comparison Schedule* (C-2) reflects revenues and expenditures on a budgetary basis where encumbrances at fiscal year end are recorded as expenditures and corresponding revenue is recognized. The last state aid payment is recognized as revenue for budgetary purposes. GAAP expenditures are calculated as budgetary expenditures plus 6/30 prior year encumbrances less 6/30 current year encumbrances. The information presented in the schedules of federal expenditures and state financial assistance is on the budgetary basis.

The original budget as well as the final approved budget as of June 30th must be reported in the budgetary comparison schedules. The variance is required by NJ DOE as is the transfer column between the original and the final.

Expenditures must be checked and verified, properly authorized by the board and recorded in the minutes. Expenditure classifications must be in accordance with The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools, as updated by revisions required with the enactment of CEIFA , and the terms and conditions of the grant award. Auditors should familiarize themselves with the document entitled Coding Appropriations Using the 2R2 Chart of Accounts as Modified by the Comprehensive Educational Improvement and Financing Act included in the 2003-2004 Budget Guidelines in the section *"Detailed Appropriations Grid"* and it should also be used as a reference tool in the coding of expenditures.

It has come to the attention of the department that there exists a high incidence of miscoding of expenditures. The auditors' procedures should include tests of the appropriate classification of expenditures in accordance with the prescribed chart of accounts. Improper coding of expenditures is considered noncompliance with N.J.A.C. 6A:23-2.2(g) and noted instances must be reported in the Auditor's Management Report. Auditors are directed to test the proper coding of expenditures during their review of the charter school's internal controls and the application of standard testing methods, as well as during compliance testing and the performance of single audit procedures. That is, each general fund or special revenue fund expenditure transaction tested for those procedures must also be tested for propriety of classification. Exceptions should not be reported for instances where the department has not given specific coding guidance in the aforementioned documents. The sample should be expanded if significant coding problems are noted.

Auditors are required to include a comment about expenditure coding in the Auditor's Management Report summarizing their sample selection process, conclusions reached and additional procedures performed, if any. Auditors are also required to include a summary of expenditure classification test results in the Audit Questionnaire indicating the dollar value of items tested, dollar value of exceptions noted and the error rate.

When a coding error is noted by the auditor, the expenditure must be reclassified for financial statement presentation, even if the reclassification will put the proper line item account into a deficit position and regardless of materiality of the error. The appropriation would not be reclassified with the expenditure unless there is a clear indication that the charter school had misbudgeted the appropriation. In cases

where it is clearly supported by budget development workpapers that a budgeting error was made, the appropriation should be reclassified to the proper line item account. Accordingly, if the reclassification creates a line item deficit, the auditor's finding in the Auditor's Management Report must include an explanation that the deficit was not due to intentional overspending of the line item, but rather was generated due to a reclassification of expenditures to the proper line item account. In cases where there clearly was a miscoding in the development of the budget as well as the expenditure, the finding must include an explanation that the expenditure was miscoded and misbudgeted, and the appropriate entries were made to reclassify both to the proper line item account. Board action is not required. The rationale for and documentation of procedures performed and conclusions reached should be included in the auditor's workpapers and available for review by the department.

In addition, special revenue fund coding errors are not considered questioned costs if the expenditures are approved under the terms and conditions of the grant award. The miscoding must be reported in the Auditor's Management Report in the expenditure coding comment. The comment must clearly state that the expenditures were consistent with the approved award and the changes were the result of miscoding. Charter School final grant close-out reports should reflect the corrected coding of expenditures, including reclassifications of the original budgeted figures, if it was determined that the approved budget was based on the miscoding and the reclassification was made by the auditor in the CAFR. Charter schools should submit with the grant closeout report a copy of the auditors' expenditure coding comment to support the propriety of the reclassification in the closeout report. The charter school does not need grantor approval for the reclassifications made by the auditor. However, if the auditor determines that any expenditure was not consistent with the approved grant award, the cost must be included in the Auditor's Management Report, and if the finding meets the audit finding criteria as defined in Circular A-133 and/or NJOMB Circular Letter 04-04, as applicable, it must be included in the Schedule of Findings and Questioned Costs in the Single Audit Section of the CAFR. Such miscoding will thus appear in two places in the Auditor's Management Report.

Specific to the charter schools, the Budget Summary statement was designed to keep financial reporting requirements at a minimum, while at the same time, enabling charter schools to be in compliance with monitoring standards and maintain comparability to public school financial data. All revenue data and expenditure data items and their classifications are explained in the Budget Summary Key of the Charter School Application. There are four major expenditure categories to be reported in the general fund: Instruction, Administration, Support Services, and Capital Outlay. These four categories are required in reporting expenditures in the budget form and the CAFR. For additional references, refer to the State Department of Education's publication entitled *The Uniform Minimum Chart of Accounts for New Jersey Public Schools,* which is available from the publication office. The charter school is encouraged to use the account structures and codes referenced in this publication, but it is not considered mandatory. What is mandatory is the reporting of costs in the detail as prescribed in the 108 line item budget summary.

The activity related to each restricted grant, from either local, state or federal sources must be accounted for in the special revenue fund in the minimum outline format. Summarized information related to all state and federal grants and entitlements must be reported in the schedules of expenditures of federal awards and state financial assistance.

The auditor's procedures should include tests of the appropriate classification of expenditures in accordance with the prescribed budget summary. Expenditure coding errors noted will be reclassified for financial statement presentation in accordance with the guidance provided under Section V - Conducting the School Audit. Auditors are required to include a comment about expenditure coding in the Auditors' Management Report.

N.J.A.C. 6A:23-2.11 Budgetary Controls and Overexpenditure of Funds

The budget status certification requirements, which are explained in detail in Division of Finance Policy Bulletin 200-11, must be fully implemented or else appropriate comments and recommendations must be included in the annual audit report.

RESERVED

YEAR-END PROCEDURES

Closing Out for GAAP

Based on the suggested accounting procedures illustrated in the GAAP technical systems manual (GAAP for New Jersey School Districts, A Technical Systems Manual (Technical Systems Manual)), throughout the year charter schools record transactions on a cash basis. Other revenues are recognized upon the receipt of cash and expenditures are recognized when the invoice is paid. As such, certain adjustments are necessary to convert the records to the modified accrual basis **(and to the accrual basis for reporting under GASB 34)** for inclusion in the charter school's annual report, the Comprehensive Annual Financial Report (CAFR). The public school accountant as part of the audit procedures will review these adjustments.

Various reference materials are available to assist charter schools in making the required adjusting and closing entries. Sample adjusting and closing entries for each fund are contained in the technical systems manual. The GAAP Case Study also provides illustrations of the year-end entries. The handout distributed by Ernst & Young at the refresher training for "Phase 5" - GAAP Implementation Technical Issues Update, contains standard entries to be made by fund, including adjusting and closing entries and can also be used as a tool.

This Audit Program will include a discussion of general procedures that should be followed for all funds, standard adjusting and closing entries, as well as the additional entries required in the special revenue fund. Applicable pages of the technical systems manual are referenced for more specific examples of entries to be made. This document is not meant to be all-inclusive. Charter schools should reference the aforementioned materials for the specific entries that must be made in other funds, including the account groups. Charter schools should also consult their software vendors to determine how the illustrated entries are entered into their system.

It should be noted that the closing entries for the general fund as shown in the Technical Systems Manual On page 5.16 were revised in Q.153 of the June 11, 1993 questions and answers papers. The revised entries close the actual revenues against the budgeted revenues and the actual expenditures against the budgeted appropriations.

General Procedures for All Funds (Other than Special Revenue)

1) Review the Status of Purchase Orders Open at Year-End:

All prior year purchase orders should be closed or canceled as of school year-end. Only under extreme extenuating circumstances should any balance be remaining in account XX-754 "Reserve for Encumbrances - Prior Year" which was used to track the liquidation of purchase orders from the prior fiscal year that were rolled over to the current fiscal year. Under GAAP, adjustments are no longer made to fund balance for the liquidation/cancellation of prior year orders. With the change from the contractual order system to the GAAP accounting system, the differences between the purchase order and the actual invoice amounts are flowed through the expenditure account where the order was originally recorded, increasing or decreasing the available balance in that appropriation account.

Under normal circumstances, the amounts reflected in the "Reserve for Encumbrances - Current Year" account should represent orders that are expected to be liquidated within a reasonable period. Open purchase orders must be reviewed to determine their status. The first step is to identify those purchase orders for which the goods/services have been received/rendered yet payment has not been made prior to year- end. These items must be charged as an expenditure against the current year budget and established as an accounts payable at year-end. The accounts payable is recorded at the invoice amount. If the invoice has not been received the amount must be estimated. When payment is made in the subsequent year, the accounts payable account will be charged rather than the expenditure account. The next step is to review any remaining purchase orders to identify those orders which will be honored the following year (i.e.- the goods/services are still necessary) and which will be canceled (i.e.- the goods/services are no longer necessary). As a general rule, for other than construction contracts, the liquidation of these orders should be within 60 to 90 days of year end. All purchase orders that are no longer considered necessary and/or will not be honored within that time frame in the subsequent year must be canceled. No entries are necessary to carry open purchase orders as encumbrances in the current fiscal year. The entries to adjust the subsequent year's budget will be made in that year. The charter school should have ready for the auditor a listing of each type of order - 1) those that represent accounts payable and 2) those that represent orders that will be honored in the following year. Auditors are urged to perform a thorough review and analysis of open purchase orders in conformity with the Year-End Encumbrance Hotline issued September 16, 2003. That Hotline is reproduced on the next page.

2) Review Supplies and Materials/Inventory accounts:

Supplies and Materials (object code 240) purchased or encumbered for use in the subsequent year should be included in Inventories - supplies. Refer to the GAAP Technical Manual, pages 2.5-2.6 and page 8.2. "Inventories for Consumption are those items ordered and received as of June 30th that have not been distributed to the requisitioning unit. The account balance is derived by counting the items on hand and multiplying the items by their unit cost. Note: This calculation would only be required in situations where significant amounts of inventory were on hand at June 30th."

This treatment is consistent with GAAP and is discussed in the GASB Codification 1600.124(127) as follows:
"Other Expenditure Recognition Alternatives -
Other alternative expenditure recognition methods in governmental fund accounting, usually of a relatively minor nature, include:
Inventory items (for example, materials and supplies) may be considered expenditures either when purchased (purchases method) or when used (consumption method), but significant amounts of inventory should be reported in the balance sheet."

Inventories include consumable goods that have a relatively short shelf life. Common examples are office supplies, paper, computer supplies, building and maintenance supplies, and science lab supplies. Also included is tangible personal property that is durable but does not meet the entity's criteria for capitalization as an asset. Examples are textbooks, calculators, and physical education equipment.

If all supplies have been recorded using the purchases method, an entry may be necessary to adjust the expenditures for those which should be included in the balance sheet account "Inventory – Supplies".

3) Accrue Any Revenues That Have Been Earned and Not Collected:

Charter schools are instructed to accrue revenues and establish receivables at the beginning of the fiscal year for those revenues whose collection amounts are known. Charter schools may also have established accounts receivable balances in the prior year for items that should have been collected by year-end. At year-end entries must be made to accrue revenues and establish receivables for any revenues that have been earned but are uncollected as of year-end in order to bring the accounting records into accordance with GAAP. An example would be interest earned on investments. Charter schools must also determine the collectability of any uncollected accounts receivable balances as of year-end. Uncollected charter school aid balances should be investigated.

4) Analyze Balance Sheet Account Balances:

Charter schools must be able to provide their auditors with the detail of what comprises each balance sheet account at year-end. In other words, for each asset and liability account, the charter school should prepare a schedule (list) of what individual amounts comprise the total balance shown in the general ledger account. Accounts receivable amounts should be detailed by what is owed to the charter school by whom and for what; each investment should be listed along with the identity of the trustee(s) or Institution(s) holding such assets; accounts payable amounts should be detailed by amount and vendor, etc. During the preparation of these analyses, the charter school should address the propriety of the amounts being included on the schedules, taking into consideration such things as which accounts should have debit balances and which accounts should have credit balances. If an account balance cannot be supported it should be investigated and adjusted appropriately.

Part of the public school accountant's audit will be to examine and test these detailed schedules (lists). If the schedules are not prepared by charter school staff, they will be included as part of the audit performed by the public school accountant, possibly resulting in higher audit fees.

The presentation of prior period adjustments differs under GAAP. Entries are not made directly to fund balance. The correction of immaterial errors is recorded as miscellaneous income or expenditures of the current year. The correction of material errors is shown in the balance sheet as a prior period adjustment, with a restatement of the opening beginning year fund balance. The use of prior year's surplus in the current year budget is tracked in the recapitulation of balances section of the board secretary's report. No adjustment is made to fund balance for the estimated use of surplus. The actual use of surplus is adjusted to fund balance as part of the year-end closing entries. As such, the preliminary (pre-closing) year-end balance in the fund balance account should equal the year end balance per the prior year audit.

GASB 34 Model

References to A-1, A-2, etc., throughout this document are to the exhibit numbers of the sample GASB 34 statements on the DOE website.
http://www.nj.gov/njded/finance /fp/gasb34/outline.shtml

Included in the Board Secretary's audit checklist of documents to have available for the audit, Chapter III-6 of this *Audit Program,* is a schedule of capital assets to support the amount reported on the line "Capital Assets, net" (cost of the assets less accumulated depreciation) in the governmental funds and the business like activities columns of the *Statement of Net Assets* (A-1) . Similarly, the charter school staff is required to maintain a schedule of long-term debt as described in paragraph 81 of GASB Statement No. 34. The schedule of long-term debt supports the balance presented for the current and noncurrent portions of long-term debt on the *Statement of Net Assets* (A-1).

Charter school staff will need to prepare a conversion from the modified accrual fund balance presentation in the *Governmental Funds Balance Sheet* (B-1) to Net Assets presentation in the *Statement of Net Assets* (A-1).

Standard Adjusting Entries

To Establish Accounts Payable:

Dr. Reserve for Encumbrances (XX-753)
Cr. Encumbrances (XX-603)

Dr. Expenditures (XX-602)
Cr. Accounts Payable (XX-421)

(With the appropriate entries being made in the expenditure subsidiary ledger.)

Note: The reversal of the encumbrance and reserve is made in the amount of the original order; the accounts payable is recorded in the amount of the invoice, which may differ.

To Cancel Purchase Orders:

Dr. Reserve for Encumbrances (XX-753)
Cr. Encumbrances (XX-603)

(With the appropriate entries being made in the expenditure subsidiary ledger.)

To Accrue Revenues:

Dr. Applicable Accounts Receivable (XX-1XX)
Cr. Revenues (XX-302)

(With the appropriate entries being made in the revenue subsidiary ledger.)

Closing Entries

Two entries are needed to close the temporary budgetary accounts to fund balance. The estimated revenues, budgeted fund balance, and actual revenues are reversed, with the difference being recorded as an increase or decrease in unreserved fund balance. The budgeted appropriations, expenditures, and encumbrances are reversed, with the difference being recorded as an increase or decrease in unreserved fund balance.

As an example, after recording the adjusting entries, the general fund trial balance would appear as follows:

A/C		DEBIT	CREDIT
101	Cash in Bank	$ 117,000	
106	Cash Equivalents	1,134,576	
111	Investments	570,600	
114	Interest Receivable on Investments	25,400	
142	Intergovernmental A/R - Federal	65,000	
301	Estimated Revenues	49,929,100	
302	Revenues		$49,911,100
303	Budgeted Fund Balance	5 68,300	
421	Accounts Payable		60,000
601	Appropriations		50,497,400
602	Expenditures	49,893,100	
603	Encumbrances	65,000	
753	Reserve for Encumbrances - Current Year		65,000
770	Unreserved Fund Balance		1,834,576

The entry to close the budgeted revenues against the actual revenues is:

Dr. Unreserved Fund Balance (XX-770)	586,300	
Dr. Revenues (XX-302)	49,911,100	
Cr. Estimated Revenues (XX-301)		49,929,100
Cr. Budgeted Fund Balance (XX-303)		568,300

(With the appropriate entries being made in the revenue subsidiary ledger.)

The entry to close the budgeted appropriations against the actual expenditures and encumbrances is:

Dr. Appropriations (XX-601)	50,497,400	
Cr. Expenditures (XX-602)		49,893,100
Cr. Encumbrances (XX-603)		65,000
Cr. Unreserved Fund Balance (XX-770)		539,300

(With the appropriate entries being made in the expenditure subsidiary ledger.)

In this example, the actual use of fund balance (deficit) was $47,000, which is calculated as the net debit to Unreserved Fund Balance ($586,300 less $539,300) in comparison to the budgeted deficit of $568,300.

Each year the budgetary accounts are closed with these entries. The opening balances of those accounts in the subsequent year are always zero. The other balance sheet accounts are not zeroed. No journal entry is needed to open the books. The unaudited ending balances from the prior fiscal year will be carried forward and used as opening balances. If necessary, these amounts will be adjusted for the result of findings of the audit when the CAFR is issued.

Other Issues/Entries

The June secretary's report may be prepared using preliminary amounts. Charter schools do not have to include final adjusting and closing entries in the report. The report should include normal monthly adjusting entries. Charter schools must remember to run final reports, ledgers, journals, etc. prior to posting the closing entries for the year.

GASB 34 Model

The general fixed assets account group and the general long-term debt account group are not reported as such by charter schools using the GASB 34 reporting model. GASB 34 has amended GASB 16 referred to above. Charter schools should refer to the 2001-2002 GASB Codification, GASB 34 Edition, Section 1400 (Reporting Capital Assets), Section 1500 (Reporting Liabilities) and Section C60 (Compensated Absences) for further guidance. The following discussion is a brief overview and is not intended to address the conversion at the end of the year.

School wide Financial Statements

The balance for capital (fixed) assets net of accumulated depreciation is reported in the charter school *Statement of Net Assets*. Depreciation is reported in the S*tatement of Activities* (A-2). 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 in the *Statement of Net Assets*.

Fund Financial Statements

The following paragraph on compensated absences is an excerpt from the 2001-2002 GASB Codification which should be referenced for the accounting treatment of compensated absences in the governmental fund statements.

"Entities that report compensated absences in governmental funds should recognize compensated absences expenditures each period using the modified accrual basis of accounting. That is, the amount of the compensated absences recognized as expenditures in these funds should be the net amount accrued during the year that normally would be liquidated with expendable available financial resources. Compensated absences liabilities are normally liquidated with expendable available financial resources, and a governmental fund liability and expenditures should be recognized, as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. The accumulation of earmarked net assets in a governmental fund for eventual payment of unmatured general long-term indebtedness, including compensated absences, does not constitute an outflow of current financial resources and should not result in the recognition of an additional governmental fund liability or expenditures." (2003-2004 Codification of Governmental Accounting and Financial Reporting Standards as of June 30, 2003,C60.111)

Opening Balances

At the beginning of each year, the certified budget amounts are adjusted for the outstanding purchase orders from the prior year that will be honored in the subsequent year. This is done by making the following entries at beginning of year:

Dr. Encumbrances (XX-603)
  Cr. Appropriations (XX-601)

Dr. Reserve for Encumbrances - Current Year (XX-753)
  Cr. Reserve for Encumbrances - Prior Year (XX-754)

(With the appropriate entries being made in the expenditure subsidiary ledger.)

These entries increase the budgeted appropriations, reestablish the encumbrances as a restriction of the adjusted current year appropriations, and transfer the reserve for encumbrances balance from the current year account into the prior year account. The entries have no impact on the available balance and there is no need to issue new purchase orders for these prior year items.

Reference Materials

The below listed pages in the Technical Systems Manual should be referenced for specific examples of adjusting and closing entries in the various funds. As previously noted, the closing entries for the general fund as shown in the Technical Systems Manual on page 5.16 were revised in Q.153 of the June 11, 1993 questions and answers papers. The sample entries on page I-8.5 of this document reflect the revised entries.

General Fund	pp. 5.14 to 5.16, 5.18, 5.20 to 5.21, 5.23 to 5.24
Special Revenue Fund	pp. 9.12 to 9.13
Capital Projects Fund	pp. 11.8 to 11.10
Debt Service Fund	p. 10.3
Enterprise / Internal Service Fund	pp. 14.12 and 14.15
Trust and Agency Funds	pp. 15.2 to 15.4, 15.7 and 15.10

GASB 34 Model

Charter schools will be recording book entries for the capital assets and debt in the account groups as in the past. However, for the charter school statements, entries will be needed to convert from the modified accrual basis to the full accrual basis. As noted above, schedules of both capital assets and long-term debt will enable the charter schools to record these balances on the statements. The capital asset balance, net of accumulated depreciated is reported and the offsetting entry would be to "Net Assets, Invested in Capital Assets, Net of Related Debt". Similarly, debt related to the capital assets is reported as a liability, and the offset is to the Net Assets, Invested in Capital Assets, Net of Related Debt". Other long-term liabilities (e.g., compensated absences) are reported in the liabilities section of the *Statement of Net Assets*, and the offset is either "Unrestricted Net Assets", or "Restricted Net Assets" if the accrual is expected to be paid using restricted funds.

Special Revenue Fund

There are several things to remember about the special revenue fund when doing the year-end adjusting and closing entries. First, the special revenue fund is unique as the accounting records are maintained on the budgetary basis rather than on the GAAP basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures whereas the GAAP basis does not. Second, revenues must equal expenditures, as funds are not considered earned until they are obligated.
The accounting treatment for expenditures in excess of the grant award differs from the manner explained on page 9.1 of the technical systems manual. **There are no transfers from the general fund to the special revenue fund for excess expenditures.** The appropriate account in the general fund budget should be charged for the excess.

Throughout the year charter schools record grant revenue on a cash basis. As such, in addition to the standard accruals for revenues and expenditures at year end, additional entries are needed to adjust the revenues recorded when the cash was received for any amounts that are deferred to the next fiscal year and any amounts that are due back to the grantor. Entries may also be necessary to establish receivables for grants where the expenditures have been funded through interfund loans and reimbursement has not been received from the grantor. Examples of the calculation of these amounts are included in Chapter 9 of the Technical Systems Manual and should be carefully reviewed.

Charter schools must perform the year-end review of special revenue fund purchase orders that was discussed earlier in this document and make the necessary entries as illustrated on page I-8.5 to cancel any unnecessary orders and to reverse the reserve for encumbrances and record the expenditures and the accounts payable related to the unpaid orders for which the charter school has received goods and services as of year-end. An additional entry will be needed to record the orders that will be honored in the following year as current year budgetary basis expenditures. Remember that under the budgetary basis used in the special revenue fund, an item is chargeable to the grant and considered an expenditure when it becomes an obligation.

GAAP expenditures are calculated as budgetary expenditures plus prior year-end encumbrances less current year-end encumbrances. (Note: This calculation must be done separately for each of the three expenditure categories included in the *Statement of Revenues, Expenditures and Changes in Fund Balances*: instruction, undistributed expenditures, and capital outlay.) The balance sheet figures are GAAP. No reserve for encumbrances is shown. Any balance in that account should be grouped with deferred revenue for CAFR presentation. The final general ledger balances are budgetary basis amounts. Entries are not made to the general ledger to derive GAAP amounts. Again, the examples contained in Chapter 9 of the Technical Systems Manual should be reviewed.

GASB 34 Model
The charter school *Statement of Net Assets* and the *Statement of Activities* include the special revenue fund, accrual basis, in the governmental activity column. The modified accrual basis special revenue fund is included in the governmental funds *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances*. The *Budgetary Comparison Schedule – Special Revenue Fund* will reflect the revenues and expenditures of this fund on the budgetary basis. Encumbrances will be a reconciling item in the Note to Required Supplementary Information – *Budget to GAAP Reconciliation* which reconciles the budgetary basis revenue and expenditures to the amounts reported in the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances*. See Section III-3 for illustration of this note.

When analyzing balance sheet accounts in the special revenue fund it should be noted that there is no fund balance in the special revenue fund. Any excess of cash received over expenditures is either deferred revenue or due to grantor. Adjustments should have been made to the certified budget to spend the beginning year deferred revenue and the deferred revenue subsequently recognized as revenue during the year. An example of the journal entries necessary to budget and recognize the deferred revenue is provided in Chapter 9 of the technical systems manual and should be carefully reviewed.

A credit balance appearing in the cash account must be investigated to determine if interfund loans need to be recorded. Charter schools should also ensure that certificates of debit and credit have been properly recorded during the year. It should be ascertained that any necessary adjustments have been recorded.

Special Revenue Fund Adjusting Entries

The following entries assume that grant revenue was recorded on a cash basis throughout the year.

Assuming that the cash received exceeds the total of the expenditures and the encumbrances, the entry would be as follows:

- If carryover is allowed:
Dr. Revenue (20-302)
    Cr. Deferred Revenue (20-481)

- If carryover is not allowed:
Dr. Revenue (20-302)
    Cr. Intergovernmental Accounts Payable (20-41X)

(With the appropriate entries being made in the revenue subsidiary ledger.)

In situations where the total of the expenditures and encumbrances exceeds the cash received, the entry would be:

Dr. Intergovernmental Accounts Receivable (20-14X)
    Cr. Revenue (20-302)

(With the appropriate entries being made in the revenue subsidiary ledger.)

In addition to the entries necessary to establish the accounts payable for the goods/services that were received as of year-end, an entry is also needed to recognize the encumbrances outstanding at year-end as expenditures for the preparation of budgetary-basis financial statements:

Dr. Expenditures (20-602)
Cr. Encumbrances (20-603)

(With the appropriate entries being made in the expenditure subsidiary ledger.)

Special Revenue Fund Closing Entries

The general ledger will be closed based on preliminary amounts. Adjustments, which arise as a result of the liquidation of the year-end encumbrances during applicable close-out periods, will be reflected in the CAFR; however, the adjusting entry will be recorded in the subsequent year's general ledger. The Technical Systems Manual should be referenced for examples of the liquidation of encumbrances during the close-out period. The closing entries to be recorded in the special revenue fund are as follows:

Dr. Appropriations (20-601)
Cr. Estimated Revenues (20-301)

Dr. Revenues (20-302)
Cr. Expenditures (20-602)

(With the appropriate entries being made in the revenue and expenditure subsidiary ledgers.)

Special Revenue Fund - Other Issues/Entries

GASB 34 Model – Deferred Revenue
As mentioned earlier, when preparing the GAAP financial statements, the reserve for encumbrances does not appear in the balance sheet, but instead is grouped with (added to) the deferred revenue amount and appears on that line of the GAAP modified accrual basis *Balance Sheet* in the general purpose financial statements of the CAFR.

At beginning of year, an entry is required to transfer the reserve for encumbrances balance from the current year to the prior year account as illustrated below. The reserve for encumbrances - prior year (20-754) account is used to track the liquidation of the prior year encumbrances that were outstanding as of year-end, acting similar to accounts payable. The rollover of these orders does not require an adjustment to the subsequent year's certified budget since the orders were charged as expenditures during the current year under the budgetary basis.

To transfer the reserve for encumbrances balance from the current year to the prior year account the entry would be:

Dr. Reserve for Encumbrances - Current Year (20-753)
Cr. Reserve for Encumbrances - Prior Year (20-754)

Grant revenues and expenditures must be identifiable based on award year and as to original, summer, or carryover allocation. The chart of accounts is structured to allow for unique program codes to be assigned to the various grant allocations that may be running simultaneously. Although specific program codes are not listed for summer programs, charter schools must select a program code from the ranges provided to account for the summer portion of grants that overlap fiscal years. During the year, charter schools should remember to budget and account for grant activity in the appropriate program codes, making adjustments to the revenue and expenditure subsidiary ledgers to account for budget revisions necessary as a result of the shift of funds between the original, summer, and carryover allocations. This information is necessary for the completion of the Schedules of Financial Assistance included in the Single Audit Section of the CAFR. Chapter 9 of the Technical Systems Manual provides an illustration of the shift of funds into a carryover period. The same entries apply to the shift of funds to a summer program.

All Funds

In summary, charter schools should make the appropriate adjusting and closing entries. The public school accountant may suggest changes to the amounts reflected in the charter school's figures based on the results of his/her audit. In those instances, the auditor should provide the charter school with the necessary post-closing adjusting entries to correct the opening balances. Charter schools are reminded that the entries shown above represent what should be recorded in the accounting records. How those entries are actually made differ from software system to software system. It is advised that charter schools have a clear understanding of how to key those adjusting and closing entries into their accounting software package.

SECTION II – SPECIFIC COMPLIANCE

CHARTER SCHOOL BOOKKEEPING

The State Board of Education has, in accordance with law, prescribed a uniform double-entry system of bookkeeping for use in all charter schools and is authorized to compel its use. (N.J.S.A. 18A: 4-14, N.J.A.C. 6A:23-2.1).

Separate accounts must be maintained for the funds and account groups. The following is a listing of funds for reporting using the GASB 34 model.

2003-2004

Governmental Funds
Fund 10 (General fund)
Fund 20 (Special revenue fund)
Fund 30 (Capital projects fund)
Fund 40 (Debt service fund)

Fund 60 (Permanent fund) (Note 1)

Proprietary funds
Fund 50
Enterprise fund
Internal service fund

Fiduciary funds
Fund 60 (Private purpose trust and agency funds) (Note 2)
Fund 70 (Student activity funds)

The account groups, General Fixed Assets – GFAAG (fund 80) and General Long-Term Debt – GLTDAG (fund 90), should have benn maintained during the 2003-2004 fiscal year for record keeping purposes. The balances are incorporated into the charter school-wide financial statements.

Note - 1 Pre-GASB 34 non-expendable trust funds which have resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the charter school.

Note – 2 Pre-GASB 34 expendable or non-expendable trusts which benefit those other than the charter school. When the charter school uses the reimbursable or pay as you go method, rather than the contributory method for unemployment, the Unemployment Compensation Trust would be included here. Also, the resources and changes in net assets of a private purpose scholarship fund would be reported here. These funds are not included in the accrual level statements (A-series). Expendable trusts which benefit the charter school should be included in the special revenue fund.

SECTION II – SPECIFIC COMPLIANCE
FUND 10 - GENERAL FUND

Board Secretary and Treasurer Reports

In accordance with N.J.S.A. 18A:17-9, the board secretary shall report to the board at each regular monthly meeting the amount of total appropriations and the cash receipts for each account, and the amount for which warrants have been drawn against each account and the amounts of orders or contractual obligations incurred and chargeable against each account since the date of the last report. At the close of each fiscal year, the board secretary shall present to the board a detailed report of its financial transactions during such year and file a copy with the county superintendent on or before August 1 of each year.

In accordance with N.J.S.A. 18A:17-36, the treasurer shall report to the board monthly a detailed account of all receipts, the amounts of all warrants signed by him/her since the date of the last report and the accounts against which the warrants were drawn, and the balance to the credit of each account. At the close of each fiscal year, the treasurer shall present an annual report showing the amounts received and disbursed for school purposes during said year and file a copy with the county superintendent on or before August 1 of each year.

The monthly board secretary and treasurer reports are to be reconciled on a monthly basis.

Cash reconciliation

The cash accounts must be reconciled. Reconciliation of payroll and interest accounts are to be made in all charter schools maintaining such accounts and must be permanently recorded and filed for future reference. The auditor must verify the reconciliation of all cash accounts of the charter school.

Bank reconciliation statements are not required to be exhibited in the audit report. Workpapers must be available for review upon request.

Petty Cash Funds

N.J.A.C. 6A:23-2.9 states "Pursuant to the provisions of N.J.S.A. 18A: 19-13, a charter school board of trustees may establish on July 1 of each year, or as needed, a cash fund or funds for the purpose of making immediate payments of comparatively small amounts".

To be in compliance with the administrative code, the board must establish the amounts authorized for each fund, and set the maximum allowable individual expenditure. The board must designate custodians for each fund and must establish the minimum time period for the custodian to report on fund activity. Petty cash accounts must be closed out at year-end and unexpended cash deposited in the bank by the fiscal year-end.

SAS #70 Reports

Depending upon the nature of the services provided, AICPA Statement on Auditing Standards (SAS) #70(as amended by SAS #88) reports may be required from software vendors, payroll service vendors, educational management service vendors and other service organizations. SAS #88 clarified SAS #70 by stating that SAS #70 is applicable if an entity obtains services from a service organization that are part of the entity's information system. SAS #88 explains what constitutes "part of the entity's information

system". If SAS #70 is applicable, the service organization auditor would issue one of two types of reports, depending on circumstances and requirements:

Type I – Report on Policies and procedures Placed in Operation. This report may be an effective and efficient way for the charter school auditor to gain an understanding of the internal controls of the service organization.

Type II – Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness. This report includes a description of the tests of operating effectiveness and the results of those tests. If the controls are present and operating effectively, the auditor may choose to assess control risk below the maximum for financial statement assertions related to service organization transactions. This is a decision made by the auditor.

Auditors are advised to review Chapter 4, Field Work Standards for Financial Audits, of the Government Auditing Standards (Yellow Book 2003 Revision) available electronically at the web site: www.gao.gov/index.html for further guidance on internal controls.

It has been learned that certain payroll service vendors or educational management service vendors are actually controlling the electronic fund transfers of charter schools' cash from their checking accounts for the purpose of making payments to various vendors and governmental and other agencies. This procedure violates the requirements of N.J.S.A. 18A:17-34 and N.J.S.A. 18A:19-1 through 4. Charter Schools are not permitted to allow control of cash payments to any service vendors. Local school auditors must recommend the discontinuance of this type of arrangement in the Auditor's Management Report.

Third Party Disbursements

N.J.S.A. 52:27D-20.1 Contracts for third-party disbursement services passed in 2000 gave the Local Finance Board, in consultation with the Commissioner of Education, the authority to adopt regulations permitting charter school boards of trustees to contract with third-party disbursements service organizations in order to make payments and execute financial transactions for those purposes.

Third party disbursement rules were approved and are effective May 19, 2003, and found in *N.J.A.C. 5:30-15 et seq.*. Charter school boards of trustees are advised to review the rules prior to engaging a party for third party disbursements such as payroll services. *N.J.A.C.5:30-17 et seq.*, Electronic Disbursement Controls for Payroll Purposes can be found at http://www.state.nj.us/dca/lgs/rules/rulesmenu.shtml.

Investments

Several statutes govern permissible investment of school monies by New Jersey charter schools. *N.J.S.A.* 18A:17-34 gives the treasurer of the charter school the authority to deposit school moneys in any bank or banking institutions of this State designated as a depository of school monies. Under *N.J.S.A.* 17:9-41 et seq., the Governmental Unit Deposit Protection Act (GUDPA), a charter school may deposit public funds in a public depository if such funds are secured in accordance with GUDPA. This statute defines a public depository as:

> "a State or federally chartered bank, savings bank or an association located in this state or a state or federally chartered bank, savings bank or an association located in another

state with a branch office in this state, the deposits of which are insured by the Federal Deposit Insurance Corporation and which receives or holds public funds on deposit."

N.J.S.A. 18A:20-37 provides for the specific types of securities that the board of trustees can authorize to be purchased and sets forth general investment practice requirements.. *N.J.S.A.* 18A:20-37 regarding charter school investments was amended by Chapter 148, P.L. 1997, which was signed into law on June 30, 1997. While the types of securities and requirements are too extensive to list, the statute includes governmental money markets funds and bonds or other obligations having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investments in the Department of Treasury for investment by school districts. The Division does not publish a listing of approved investments, but charter schools may request approval of a specific security by letter sent to the following address:

Director
Division of Investments
P.O. Box 290
Trenton, NJ 08625

The Department of Education does not have the authority to determine compliance with GUDPA or review and approve the types of securities a charter school can utilize. Charter schools should consult with charter school counsel and direct any questions on the permissibility of a specific security pursuant to N.J.S.A. 18A:20-37 to the Division of Investments in the Department of Treasury at the above address.

Further information on GUDPA or on banking institutions may be found at the department of Banking and Insurance web site http://www.state.nj.us/dobi/gudpa.htm. A charter school which is unsure whether the bank/iinstitution is certified as a depository should request from the bank/institution a copy of the "Notification of Eligibility" or may contact the Department of Banking and Insurance.

Charter Schools will be required to implement GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," when reporting their investments beginning in the June 30, 1998 CAFR. This statement establishes fair value accounting and financial reporting standards for certain types of investments held by governmental entities other than external investment pools. This should have a limited impact on charter schools. For government entities other than external investment pools, this statement establishes accounting and financial reporting standards for investments in participating interest-earning investment contracts, external investment pools, open-end mutual funds, debt securities, and equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values.

The implementation of GASB Statement No. 31 does not supersede the required disclosures currently included in the CAFR in accordance with GASB Statement No. 3. "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements." It represents a change to the method at which investments are valued for accounting and financial reporting and provides for additional disclosures regarding the valuing of investments.

GASB 40, "Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3" is effective for financial statements for periods beginning after June 15, 2004 (i.e. , for 2004-2005 school fiscal year) and states:

> " disclosures generally referred to as category 1 and 2 deposits and investments are eliminated. However, this Statement does not change the required disclosure of authorized investments... and it maintains, with modification, the level-of-detail disclosure requirements of Statement 3". Statement 40 "is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due." The reduction of existing custodial credit risk disclosures follow from federal banking reforms adopted since the release of Statement 3."

Revenues and Receipts

Revenues accruing to the board of education for the period under audit must be verified. Receipts for the year and accounts receivable at the close of the year must be verified as to source and disposition. Revenues must be delineated by type and recorded in the proper fund. Common revenues and the funds in which they are reported are included in The Uniform Minimum Chart of Accounts (Handbook 2R2). The auditor must comment in detail on any irregularity in the method of handling receipts and revenues as a result of audit tests performed.

Tuition

The auditor should verify that the charter school charged no tuition for any student attending the charter school. Examination of before and after school care fees should be performed so as to determine that fees to students in these programs are only the reasonable and necessary amounts for the administration of these programs and must be accounted for the enterprise fund. If the excess revenues over expenditures of before and after school programs are being utilized to offset general fund expenditures, this excess is determined to be tuition fees charged to the students in these programs. The auditor should document this finding in the Auditor's Management Report and make an appropriate recommendation for the discontinuance of this practice.

Reporting On-Behalf payments

Governmental Accounting Standards Board Statement No. 24 requires that an employer government recognize revenue and expenditures for on-behalf payments for fringe benefits and salaries. On-behalf payments for fringe benefits and salaries are direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another legally separate entity (the employer entity or employer government). In applying this accounting directive in New Jersey, charter schools are required to include in their CAFR as both a revenue and expenditure, both the pension contributions made directly to the TPAF by the state on their behalf as well as the reimbursed social security amounts related to their employees that are TPAF members. The department will be providing charter schools with the amounts paid on their behalf for employer contributions to the TPAF. Charter schools should prepare a schedule of the amounts reimbursed by the state for the current year FICA employer contribution for its TPAF members on an accrual basis. That is, the current year amount equals total cash reimbursement received during the current year less the prior year-end receivable amount plus the current year-end receivable balance. **The on-behalf payments will be included in the CAFR as non-budgetary revenue and expenditure items, similar to the reporting of assets acquired under capital leases.** Charter schools are not required to include these amounts in their annual school budgets. Based on the time lags in actuarial tables, for the first two years, no contributions will be reported by the charter school for TPAF pension contributions for respective employees. Those contributions will be

reported by the previous employer if applicable. TPAF and social security on-behalf payments are published by charter school at http://www.nj.gov/njded/finance/fp/audit/0304/.

Telecommunications Act of 1996 – Universal Service Fund (E-rate)

The Schools and Libraries Universal Service Fund, known as the "E-rate" was created as part of the Telecommunications Act of 1996 to provide affordable access to modern telecommunications and information services to all eligible schools and libraries in the U.S. The School and Libraries Corporation (SLC) was established by the FCC to administer the Schools and Libraries Universal Service Fund. All public and private schools and libraries qualify for funding based on their level of economic disadvantage (based on the percentage of students eligible for the national school lunch program) and their location, rural or urban. Charter Schools will be notified regarding actual funding. The offset to the reduction in the expenditure is either to accounts receivable if a refund is due, or to accounts payable if unpaid at June 30, 2002. Additional information is available at the Department of Education, Office of Technology website at *www.state.nj.us/njded/techno/toc.htm* and at the School and Libraries website at www.sl.universalservice.org.

Refunds

Refunds on current year expenditures are a credit to the applicable expenditure line account. Refunds on prior year expenditures and sales of books, and manual training materials and products are miscellaneous income, not refunds. Proceeds from the sale of land, buildings and equipment are other financing sources.

Cancellations

Canceled prior year contractual orders are reflected in the audit report as revenues and/or expenditures. Cancellations of prior year reserve for encumbrances increase the amount available for expenditure in the current year.

Sale and Lease-back Contracts

N.J.S.A. 18A:20-4.2 authorizes charter schools to enter into sale and lease-back contracts on certain instructional material (i.e. textbooks). The charter school can acquire through sale and lease-back textbooks and non-consumable instructional materials provided that the sale price and principal amount of the lease-back do not exceed the fair market value of the textbooks and instructional materials and that the interest rate applied in the lease-back is consistent with prevailing market rates or is less. The leaseback can be for any term not exceeding in the aggregate of five years.

Proceeds from the sale and lease-back of textbooks and non-consumable instructional material shall not be included in the calculation of excess undesignated general fund balance during the budget year in which they are realized.

Fund Balance Classifications

The proper presentation of fund balance is an important reporting issue. The fund balances of the governmental funds should be grouped under two main categories - reserved and unreserved. It is imperative that fund balances be properly categorized.

GASB 34 Model

Charter schools will continue to use the existing fund balance classifications in the governmental funds Balance Sheet (Exhibit B-1) for purposes of calculating excess surplus. In the accrual basis Statement of Net Assets (A-1), there are three classifications of net assets: Invested in capital assets, net of related debt, Restricted net assets (with a line item for each fund in which the net assets are restricted), and Unrestricted. Auditors and charter school staff should refer to GASB 34, paragraphs 30 – 37 for further clarification of these classifications.

> *Auditor's Note* – No appropriation of surplus after June 30, 2004 is to be reflected in the June 30, 2004 balance sheet as designated for subsequent year's expenditures. The department recommends footnote disclosure in the CAFR.

There are limited instances where the definition of reserved general fund balance is met:

The **reserve for encumbrances** represents that amount of fund balance related to orders issued in the current year that will be honored in the subsequent year. In general, for other than construction projects, that liquidation must be made within 60 to 90 days of year-end to be a valid reserve at June 30th. This should not include accounts payable, since those orders were charged as expenditures in the current year and should be included in the balance sheet as a liability.

All other general fund balance is considered **unreserved**. Charter schools may reflect management's intent for use of the unreserved fund balance (for capital outlay only) as separate lines in the equity - section of the balance sheet under the heading unreserved fund balance. Each designation should be explained in the notes to the financial statements and supported with documentation for the necessity of such a project within the term of the charter.

SECTION II – SPECIFIC COMPLIANCE
FUND 20 - SPECIAL REVENUE FUND

TPAF Reimbursement

N.J.S.A. 18A: 66-90 requires that each charter school reimburses the state for the employer's share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs.

The reimbursement for the TPAF Pension and Social Security related to salaries charged to federal grants must be made by the September 30th following the fiscal year end. Auditors are required to certify the accuracy of the reimbursement via their signature on the reimbursement form submitted by the charter school with the actual reimbursement. If submission of the reimbursement form is performed prior to the completion of audit procedures, the form may initially be submitted without the required auditor signature and a revised form reflecting the auditor signature may be subsequently submitted.

Auditors should include in their audit procedures a test of the biweekly reimbursement forms filed electronically with the department for all TPAF employees.

SECTION II – SPECIFIC COMPLIANCE
FUND 30 - CAPITAL PROJECTS FUND

Capital Projects Fund

The proper accounting procedures related to capital projects are included in Chapter 11 of the GAAP Technical Systems Manual.

No transfer may be made under N.J.S.A. 18A:22-8.2 from appropriations or surplus accounts for:

a. Capital reserve account

b. Items classified as general fund except to other items so classified or to the capital projects fund to supplement the proceeds from lease purchase agreements

Transfers from appropriations or surplus accounts may be made within the general fund. When specifically approved by the Commissioner, charter schools may transfer surplus from the general fund to the capital projects fund to supplement the proceeds from a lease purchase agreement upon application to and a formal finding by the Commissioner that the transfer is in the best interests of both the students and taxpayers of the district after consideration of alternative correction actions.

SECTION II – SPECIFIC COMPLIANCE
FUND 50 - PROPRIETARY FUNDS

Proprietary Funds

Proprietary funds are used to account for charter school activities that are similar to business operations in the private sector. They are not used to account for the normal operations of a charter school regardless as to whether the operations include services provided to outside parties that are offset by revenues. There are two categories of proprietary funds -- enterprise funds and internal service funds. The use of these fund types should be consistent with GAAP (GASB Codification 1300.104). Additional guidelines for charter schools using the internal service fund to account for shared services are outlined in N.J.A.C. 6A:23-2.13.

There is little change in the proprietary financial statements resulting from GASB 34. Capital contributions are not reported as a separate component of net assets in the *Statement of Net Assets,* but continue to be reported as such in the funds statements. Charter school staff and auditors should refer to GASB 34, paragraphs 91 through 105 for guidance on proprietary fund financial statements.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations. Examples of enterprise funds in New Jersey Charter Schools are those established to account for the food services program of the charter school and latch-key programs (before/after school programs). **All the expenses of these operations are accounted for in the enterprise funds with any board of trustee contribution, including salaries and benefits paid by the board on behalf of the program, shown as a transfer to cover deficit in the general fund on line # 75 of the audit summary worksheet and as an operating transfer in the enterprise fund.**

> ***Auditor's Note*** – The Transfer to Cover Deficit included in the general fund **must** reconcile to the Operating Transfer – Board Contribution reflected in the enterprise fund. The department has included an edit in the Audsum diskette to identify any discrepancy between the reported amounts and recommends completing the Audsum diskette prior to filing the CAFR. The Transfer to Cover Deficit should be reflected as an Other Financing Use on Exhibit B-2 in the general fund column of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and an operating transfer out on the C-1 General Fund Budgetary Comparison Schedule.

Internal Service Funds

Charter schools should use internal service funds to account for the financing of goods or services provided by one department or office to other departments or offices of the charter school, or to other school boards of education and governmental units, on a cost-reimbursement basis. Internal service funds are cost accounting and distribution entities, and are intended to "break even" annually and/or over a period of years (N.J.A.C. 6A:23-2.13). The use of an internal service fund does not provide additional revenue or expenses to the charter school but acts as a means to document the sharing of the costs. Some activities that may be accounted for in an internal service fund are central purchasing and warehousing, central motor pools, central printing and duplicating or central data processing departments.

Arrangements for sharing the costs of administrative and other non-instructional personnel and related costs under joint agreements where the employees remain under the employment of one lead school would also be accounted for in an internal service fund in the records of the lead school. Each of the "sharing" schools, including the employing school, should reflect their agreed-upon portion of the costs in the general fund. For the employing school, that cost would be budgeted as salary expenditure. The "sharing" schools would account for the payments made to the lead school as a contracted service under the appropriate function. If the shared employees have employment contracts with each of the schools involved, each school's share of the employees' salary and related costs would be budgeted and expended against the appropriate salary and other accounts and there would be no need for any of the schools involved to establish an internal service fund.

The following is an excerpt from N.J.A.C. 6A:23-2.13

A charter school board of trustees providing a shared service under a shared service agreement with another charter school, board of education or external entity shall account for the shared service costs in an internal service fund in accordance with GAAP.

- The charter school board of trustees providing the shared service shall allocate the costs on a user charge basis to all participating entities on an annual basis at a minimum.
  - User charges should be reported by entities or funds being serviced by the Internal service fund in the applicable line item account for the goods or Services received.
  - Sales and purchases of goods and services for a price approximating their External exchange value should be reported as revenues ("Services Provided To Other Funds").
  - The total user charges should approximate the total costs of the internal service fund. Unexpended balances shall be evaluated annually to determine the amount of monies, if any, due back to the shared service entities. Refer to Chapter 14 of the GAAP Technical Systems Manual for additional guidance.

Self-insurance (Risk Financing):

Self insurance is the practice of a charter school controlling and self-directing the costs of administering an insurance program while retaining a risk of loss. GASB Statement Number 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, establishes the accounting and financial standards for risk financing and self-insurance related activities. If a charter school accounts for all of its risk financing activities in a single fund, it is recommended that the Internal Service Fund be used. However, GASB Statement 10 paragraph 63 also permits the use of the general fund for such purposes. The Government Finance Officers Association's publication *Governmental Accounting, Auditing, and Financial Reporting (*the "Blue Book") page 101 states, "If a government chooses to use an internal service fund to account for its risk financing activities, interfund premiums should be classified as service fund to account for its risk financing activities, interfund premiums should be classified as interfund services provided (a reciprocal interfund activity). As a result, premiums received by the internal service fund should be reported as revenues. Unless excess revenues are justified, premiums in excess of probable and measurable losses incurred must be reported as an operating transfer (a nonreciprocal interfund activity) rather than as revenue."

The Internal Service Fund reports on the accrual basis and per GASB 10 paragraph 53 should limit liability recognition to probable and measurable losses as of the balance sheet date. For example, worker's compensation losses that have been incurred but not reported (event occurred, but no claim has been asserted at the balance sheet date), are accrued if a reasonable estimate of the loss can be made.

Food Service – Enterprise Funds

Boards of trustees may contract with food service management companies (FSMC) to equip, supply and operate cafeterias without profit to the charter school pursuant to N.J.S.A. 18A: 33-3. Every contract for the services of a food service management company should meet federal standards and procurement requirements pursuant to Title 7 of the Code of Federal Regulations pursuant to N.J.S.A. 18A: 18A-42.1.

All charter schools rebidding their FSMC Contract for school year 2003-2004, must rebid their new contract pursuant to the Public School Contracts Law, *N.J.S.A.* 18A:18A-1 et seq. amended P.L. 1999, c.440. All other charter schools not rebidding for School year 2003-2004, will finish their contract duration under the specifics of *N.J.S.A. 18A*:18A-42.1 until the life of the current contract cycle ends (minimum one year/ maximum two years). This is for all FSMC contracts bid PRIOR to the implementation of the NEW Public School Contracts Law.

The most widely used contract method in New Jersey is referred to by the *Accounting Guide for Government Contracts* as the "cost plus a fixed fee (management fee) contract." The food service management company receives a set fee for managing the food service operation and the board is liable for the reimbursement of all costs incurred. Regardless of the contract method, the charter school management is considered the School Food Authority. Federal regulations prohibit contracts that permit all receipts and expenses to accrue to the food service management company. Even if federal reimbursements are not received, schools using management companies and retaining liability for costs incurred are considered the School Food Authority.

As School Food Authorities, daily cash sales and State and Federal reimbursements are school moneys and subject to the State's school laws. Management companies may handle the preparation of food, placing of orders for food and supplies and other associated administrative duties but they are not permitted under state law to administer or hold school funds.

The following procedures should be implemented in order to comply with state laws for administering school moneys.

1. The income from daily cash sales and State and Federal reimbursements must be under the control of the treasurer of school moneys in any bank or banking institution of this state designated by the charter school management as a depository of school moneys. Such funds may be deposited in the Board's general operating account. A separate food service account is not required. (N.J.S.A. 18A: 17-34)

   Receipts and disbursements of food service funds must be separately accounted for in the records of the charter school, in accordance with the Uniform Minimum Chart of Accounts (Handbook 2R2).

   When the board of trustees budgets funds in its general fund budget in account 11-000-310-930, Transfers to Cover Deficit, those funds may be transferred to the Enterprise Fund at the end of the year for the actual amount, if any. If made prior to the end of the year, any amount of the transfer not needed for a deficit may be refunded to the general fund.

2. The board of trustees may by resolution designate the board secretary or another person to approve payments without board approval to expedite the payment process. All such payments must be issued on properly signed warrants and subsequently ratified by the board. The board's resolution may limit the authorization to certain purposes such as the school food

service reimbursements and may also limit the dollar amount per payment or month. (N.J.S.A. 18A: 19-1, 2, 4 and 4.1)

3. Loans or advances from the board to a food service management company are prohibited. All claims and demands must state that articles have been furnished or services rendered before payment can be made. (N.J.S.A. 18A: 19-3)

4. Food service management companies may negotiate the cost reimbursement dates with the board. However, no interest may be charged on payments that are not made within the negotiated dates.

5. The food service management company must provide itemized claims for services and goods to the charter school management for reimbursement.

   a) The food service management company should process payroll data in such a way that the charter school management can reimburse it in time for payroll checks to be issued. A one-week lag between payroll period and check disbursement should provide sufficient time for all necessary verifications and payments.

   b) The food service management company must submit an itemized claim for reimbursement for all goods and services. Reimbursement claims for payroll should include either a copy of the company's payroll for those employees providing service to the charter school or an itemized listing of employees, check numbers and date, hours worked and earnings. In the latter scenario, payrolls and support documentation must be made available whenever requested by the charter school management and for the annual audit.

      When the food service management company purchases specifically for the charter school, reimbursement claims for goods should list invoice numbers, dates, vendor names and amounts (sample 1 in Section II-50.9). If the food service management company purchases food in bulk for a number of charter schools, it may use the above method allocating invoice amounts between charter schools based on the percentage of each charter school's student enrollment (or participation) to the total enrollment for all schools (sample 2 in Section II, 50.10). It may also use a per meal cost calculation based on the total amount of the invoices divided by the total meals served to all charter schools. Each charter school's pro-rata share of the costs would be the per meal cost multiplied by the meals served in each charter school (sample 3 in Section II, 50.11)

      When a food service management company submits an itemized claim for reimbursement, it is not necessary to provide vendor invoices. However, they must be made available whenever requested by the charter school management and for the annual audit.

6. The charter school board of trustees and the food service management company should work closely to minimize the time of reimbursements and to avoid cash flow problems. However, a food service management company may need to establish a line of credit if the timing of reimbursements is not sufficient to make its payrolls. Interest paid is an allowable cost of the contract in such situations.

The foregoing procedures are recommended by the department to comply with the state's statutes for administering school funds. However, these procedures do not replace but rather supplement

the requirement contained in 7 CFR 210.16 that all books and records of the food service management company pertaining to the school food service program shall remain the property of the charter school. Auditors must include appropriate comments and recommendations in the event that funds are not properly administered as described in Division of Finance Policy Bulletin 200-12.

SAS #70 Reports

In accordance with SAS #70, as amended by SAS #88, charter school auditors may evaluate the internal controls of a food service management company by relying upon the opinions of a "service auditor" of the food service management company's internal control system. To that end, Charter Schools must only contract with food service management companies that can provide an audit opinion on said company's system of internal control. Beginning in 1994-95, all food service management company bid specifications, contracts and/or addenda must include this requirement as a condition of bid qualification.

Worker's Compensation – Internal Service Fund

A hotline was issued directing charter schools and public school accountants towards two Statements of the Governmental Accounting Standards Board (GASB 10 and 17) for guidance regarding the proper accounting treatment for their school. Under the GASB, self-insured worker's compensation funds must be accounted for in **either** the general fund or an internal service fund, **not** expendable trusts.

Child Nutrition Program Requirements

The Bureau of Child Nutrition Programs is revising its audit policy regarding the review of School Food Services to comply with OMB Circular A-133 Revised (OMB A-133). OmB-133 was revised to raise the audit threshold for all recipients, including state and local governments, to $500,000. The provisions of OMB Circular A-133 Revised are effective for fiscal years ending after December 31, 2003.

Please refer to the sample format for School Food Service Fund Exhibit F-1, F-2 and F-3 in Financial Reporting for New Jersey School Districts, A Sample Comprehensive Financial Report, The CAFR (Issued August 1999)for required financial statements. The GASB 34 model for New Jersey Charter Schools changed the Enterprise fund exhibits to G-1, G-2, and G-3 and changed the exhibit titles (but not the exhibit format)_to conform to current reporting standards. Charter schools and their auditors should also refer to the sample Proprietary Fund statements (Exhibits B-4, B-5, and B-6) on the NJDOE web site http://www.state.nj.us/njded/finance/fp/gasb34/.

School Food Service Fund

Report on the condition of the financial transactions and statistical records of the School Food Service Fund. This should include a review of monthly reimbursement vouchers, meal count records, Edit Check Worksheets, and eligibility applications. **Determine whether there are controls providing reasonable assurance that all meals reported to the state agency for reimbursement are based on accurate counts and are served to eligible children.**

Please Note: Effective with October 2003, monthly reimbursement claims were entered on-line using the Child Nutrition Program's website via the myNewJersey portal. This on-line system

provides payment status, payment logs and a monthly report summarizing meals claimed by site. The auditor may request these reports from the charter school.

1. Suggested audit procedures to ensure that reimbursement received is supported by source documents.

   a) ELIGIBILITY APPLICATIONS - Review eligibility applications to evaluate completeness of required information and verify eligibility determination. Any incomplete free or reduced price applications should be given to the determining official for completion. Findings related to the free and reduced eligibility determination should be reported in the Auditor's Management Report (AMR) in the School Food Service section. Free applications that are not available or incorrectly determined must also be cited as an exception under Demonstrably Effective Program Aid, Early Childhood Program Aid, and Instructional Supplement Aid where applicable.
   Applications may also have been determined through the Direct Certification Process. Please refer to May 2003 Memo, "Direct Certification for Free Meal/Free Milk Benefits for School Year 2003-04.

   Schools participating in Provision 1 or 2 are not required to collect eligibility applications annually. Please refer to eligibility requirements set forth in the Memo, "Application Process for Provisions 1 and 2 .

   Multi-child/Household Application for Free and Reduced Price Meals School Year 2003-04

   Sponsors were given the option of choosing to utilize the single or multi-child format. If multi-child option was selected sponsors had to certify that they would comply with minimum standards and procedures stipulated on the "Request and Certification" form.

   MEAL COUNT RECORDS - Review meal count records on a school-by-school basis to verify meals claimed on reimbursement vouchers. Edit Check Worksheet(s) must be completed for every reimbursement voucher submitted and the required comparisons made before completing the reimbursement voucher. Any meals denied free or reduced priced eligibility should be credited at the paid rate of reimbursement.

   Unsupported reimbursement must be cited as a finding of noncompliance and a financial assessment identified on the Schedule of Meal Count Activity (Overclaim/Underclaim). Provide pertinent detail, i.e. school, month.

2. Verification Regulations issued by the United States Department of Agriculture require pricing sponsors of the National School Lunch and School Breakfast Programs to verify a minimum number of approved applications on file as of October 31 of each school year. Sample selection and verification may begin earlier based on projections done by school officials. Each sponsor must select one of the two following methods to satisfy the verification requirements:

   a) RANDOM SAMPLE - The lesser of 3 percent or 3,000 of approved applications selected randomly;

   OR

   b) FOCUSED SAMPLE - The lesser of 1 percent or 1,000 of total approved applications selected from nonfood stamp households with income near the eligibility levels, plus the lesser of .5 percent or 500 of approved applications which substituted a food stamp

household or an AFDC case number for income information. Verification of food stamp households consists of confirming current receipt of food stamp benefits.

All verification activity must be completed by December 15 of each school year. The auditor's review of eligibility applications should include a review of the verification file to ensure that this process was established. It is not necessary for the auditor to review the contents of the verification file.

3. Expenditures of school food service revenues should be limited to allowable school food service direct and indirect costs. Review vendor invoices and verify labor costs. Determine that inventory records on food and supply items are currently maintained. Review time sheets and verify labor cost. Verify that payroll records are maintained.

4. Net cash resources may not exceed three months average expenditures. In the event that net cash resources exceed three months average expenditures for the School Food Authority's nonprofit school food service, the State Agency may require the School Food Authority to reduce children's prices, improve food quality or take other actions designed to improve the nonprofit school food service. (REF 7CFR 210:15)

   Net cash resources are defined as all monies that are available to, or have accrued to a School Food Authority's nonprofit school food service at any given time, less cash payable. Such monies may include but are not limited to cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities.

5. The auditor should comment on whether Food Distribution Program (formerly U.S.D.A.) commodities were received. If the charter school is utilizing a vendor to provide meals, review evidence that the market value of Food Distribution Program donated commodities was credited on monthly invoice statements.

6. Auditors should verify that financial arrangements and other provisions in the Food Service Management contract have been complied with; if not, cite exception.

7. The United States Department of Agriculture does not permit increases in reimbursement for revised vouchers received after the 60 days without proper verification. However, payment can be considered if the underclaim is verified in an audit or administrative review. Auditors are instructed to verify any underpayments as a result of late revisions in the audit report under the Schedule of Findings and Questioned Costs. Please note that such payment is subject to approval.

8. The following memorandums and attachments are on file at charter school offices to be referenced by the auditor:

   a) September 2003
      - Public Reimbursement Rates for Child Nutrition Programs/Maximum Meal and Milk Prices
      - Nonpublic Reimbursement Rates for Child Nutrition Programs/Maximum Meal and Milk Prices
      - Residential Institution Reimbursement Rates for Child Nutrition Programs/Maximum Meal and Milk Prices

   b) September 2003 - Verification Workshop Schedule

c) September 20, 2003 Reimbursement Voucher Package 2002-2003 Changes, Instructions, Rates and Timely Submission of Reimbursement Vouchers

d) January 31, 2003 - Securing Base Year Food Service Management Company (FSMC) Contracts for School Year 2003-04

Attachments
Response and Projected Operating Statement (Form #23)
Bid/Proposal Comparison Sheet (Form #24)
Appendix B-FSMC Contract Required Language Checklist (Form #17)
Base Year Contract Checklist (Form #15)
Suggested Timeframes for the FSMC Quotation/Bid Process (Form #36)
Food Service Data (Handout #147)
Suggested Guidance for Soliciting Proposals (Handout #148)
Cost Responsibility Summary (Form #149)
Reference Materials Relating to FSMC (Handout #34)
State Agency Approval of FSMC Contracts and Addenda (Handout #137)

e) March 1, 2003 – SFAs Renewing FSMC Contracts for 2004
1 - Early Approval of Food Service Management Company (FSMC) Addendum and Registered Food Service Management Company Directory

2 – Registered FSMC Directory
Attachment- School Food Authority/Food Service Management Company Renewal Addendum Checklist (Form 16)

March 15, 2003- All SFAs with Self-Operated Food Service Programs Considering Employing a FSMC for School Year 2003-04.

March 1, 2003 – SFAs Awarding Base Year FSMC Contracts for FY 2004
1. Registered Food Service Management Company (FSMC) Directory
2. Early Approval of Food Service Management Company (FSMC) Contracts
Attachment – School Food Authority/Food Service Management Company Base Year Contract Checklist (Form 15)

f) Application Process for Provisions 1 and 2

g) May 2003 – Direct Certification for Free Meal/Free Milk Benefits for School Year 2003-04

h) Multi-child Family/Household Application for Free and Reduced Price Meals School Year 2003-04

i) Fiscal Year 2004 Application for Free and Reduced Price Meals or Free Milk

j) Fiscal Year 2004 Income Eligibility Guidelines

k) Maximum Prices for Student Meals and Variable Pricing for School Year 2003-04

l) June 2003 - Program Extensions for the Summer 2003 Program Changes to be Effective Beginning 9/1/2003

Date Issued 6/04

SAMPLE 1

Foodland Food Services
123 Broad Street
Anytown, NJ 08000
609-123-4567

October 15, 200X
Invoice #123456

Any Charter School
Highland Street
Old Town, NJ 08111

For reimbursement of costs incurred related to the provision of food services for the Any Charter School during the month of September 200X. The costs incurred are listed below:

Invoice #	Date	Vendor Name	Amount
06932	8/31/0X	Bakeland	$2,398.61
12555X	9/02/0X	Murray's Meats	6,779.38
431182	9/03/0X	Polly's Produce	796.54
218812	9/07/0X	Dan's Dairy	877.32
06988	9/07/0X	Bakeland	531.89
12682X	9/07/0X	Murray's Meats	153.90
431906	9/13/0X	Polly's Produce	591.83
219601	9/24/0X	Dan's Dairy	877.32
		Total	$13,006.79

Please remit the above amount by November 15, 200X. The listed invoices are available for audit and review. I certify that the within invoice is correct in all its particulars, that the described goods or services have been furnished or rendered and that no bonus has been given or received on account of said invoice.

Franklin Chief
President
Foodland Food Services

Date Issued 6/04

SAMPLE 2

Foodland Food Services
123 Broad Street
Anytown, NJ 08000
609-123-4567

October 15, 200X
Invoice #123456

Any Charter School
Highland Street
Old Town, NJ 08111

For reimbursement of the AnyCharter School pro-rata share of costs related to the shared food services program provided by our company. The allocation is based on the number of students participating at each school. See the attached cost allocation detail supporting the amount charged.

For the month of September 200X	$3,107.21

Please remit the above amount by November 15, 200X. The invoices listed on the attached cost allocation are available for audit and review. I certify that the within invoice is correct in all its particulars, that the described goods or services have been furnished or rendered and that no bonus has been given or received on account of said invoice.

Franklin Chief
President
Foodland Food Services

Any Charter School Food Services Allocation

Date Issued 6/04

SAMPLE 3

Foodland Food Services
123 Broad Street
Anytown, NJ 08000
609-123-4567

October 15, 200X
Invoice #123456

Any Charter School
Highland Street
Old Town, NJ 08111

For reimbursement of the Any Charter School pro-rata share of costs related to the shared food services program provided by our company. See the attached per meal cost calculation supporting the amount charged.

For the month of September 200X	
1,598 meals @ $2.45 meal	$3,910.60

Please remit the above amount by November 15, 200X. The invoices listed on the per meal cost calculation are available for audit and review. I certify that the within invoice is correct in all its particulars, that the described goods or services have been furnished or rendered and that no bonus has been given or received on account of said invoice.

Franklin Chief
President
Foodland Food Services

Any Charter School Food Services Allocation

SCHEDULE OF MEAL COUNT ACTIVITY

ANYTOWN CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED, 20

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS VERIFIED	DIFFERENCE	RATE(a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	300,000	296,000	(4,000)	.155	$(620)
	Reduced	50,000	48,600	(1,400)	.990	(1,386)
	Free	5,820	5,000	(820)	1.520	(1,247)
	TOTAL	355,820	349,600	(6,220)		$(3,253)
School Breakfast (Regular Rate)	Paid	125	125	-0-	.0850	$-0-
	Reduced	300	360	60	.3450	21
	Free	3,868	3,808	(60)	.6250	(38)
	TOTAL	4,293	4,293	-0-		$(17)
Special Milk	Paid	2,500	2,500	-0-	.0925	$-0-
	Free	7,500	7,500	-0-	Average Cost	-0-
	TOTAL	10,000	10,000	-0-		$-0-
TOTAL NET OVERCLAIM						$(3,270)

(a) Reimbursement rates are subject to annual change. Rates indicated here are for illustrative purposes only. See appropriate rates on the next page.

(a) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

FISCAL YEAR 2004
JULY 1, 2003 – JUNE 30, 2004
REIMBURSEMENT RATE BREAKDOWN

NATIONAL SCHOOL LUNCH RATES

REGULAR RATE SFA's w/less than 60% of Free and Reduced Lunch			
	FEDERAL	STATE	TOTAL
FREE	2.19	0.10	$2.29
REDUCED	1.79	0.10	$1.89
PAID	0.21	0.04	$.025

HIGH RATE (EXTRA 0.02 CENTS) SFA's w/more than 60% of Free and Reduced Lunch			
	FEDERAL	STATE	TOTAL
FREE	2.21	0.10	$2.31
REDUCED	1.81	0.10	$1.91
PAID	0.23	0.04	$.027

SCHOOL BREAKFAST PROGRAM

REGULAR RATES			
	FEDERAL	STATE	TOTAL
FREE	1.20	0.10	$1.30
REDUCED	0.90	0.10	$1.00
PAID	0.22	0.10	$ .32

SEVERE NEED RATES			
	FEDERAL	STATE	TOTAL
FREE	1.43	0. 10	$1.53
REDUCED	1.13	0. 10	$1.23
PAID	0.22	0. 10	$ .32

AFTER SCHOOL SNACKS

AT RISK/ AREA ELIGIBLE	0.60
NON- AREA ELIGIBLE	
FREE	0.60
REDUCED	0.30
PAID	0.05

SPECIAL MILK PROGRAM

FREE	Average cost per half pint * Based on Individual SFA's costs
PAID	0.13

Commodity Value $.1575

***SFA'S=SCHOOL FOOD AUTHORITIES**

SECTION II – SPECIFIC COMPLIANCE
FUND 60 - FIDUCIARY FUNDS

Assets that are held in a trustee or agency capacity for external parties and that cannot be used to support the government's own programs are reported as fiduciary funds. Trust and agency funds are used to account for resources held and administered by a charter school when it acts in a fiduciary capacity. Trust funds may be distinguished from agency funds by the existence ofa trust agreement, a higher degree of management involvement, and a longer holding period of the fund resources. Agency funds report resources held bv the reporting government in a purely custodial capacity.

Trust Fund Reporting:
GASB No. 34 Model:

Trust and agency fund (fiduciary) activity is not included in the charter school-wide financial statements but is reported in the fund statements as described below. When the charter school is responsible for administering these resources, the charter school is acting in a fiduciary or agency capacity.

GASB No. 34 eliminates the terminology of expendable and nonexpendable trust funds and identifies three classes of trust funds:

- Pension and other employee benefit trust
- Investment trust funds
- Private-purpose trust funds

Pension and other employee benefit trust funds account for resources held in trust for the members and beneficiaries of the charter school's employee benefit plans. Investment trust funds report the resources of a combined investment effort amont charter schools. Private-purpose trust funds encompass other trust fund arrangements for which principal and income benefit individuals or agencies outside of the charter school. Examples of a private purpose trust fund are a scholarship fund or a fund that reports the resources of an awards program, funded by contributions from local businesses to provide small cash awards to qualifying high school seniors.

Charter schools need to evaluate those activities that have been reported as trusts in the pre-GASB 34 Model to determine if they are trusts for purposes of financial reporting under GASB 34. In some instances, charter schools will need to include the former expendable trusts in the special revenue fund, i.e. if the resources actually benefit the charter school and are expendable. When funds are legally restricted to the extent that only the earnings and not the principal, may be used to benefit the charter school and are expendable. When funds are legally restricted to the extent that only the earnings, and not the principal, may be used to benefit the charter school, those resources are reported in the permanent fund.

There are two required trust fund financial statements under GASB No. 34:

- *Statement of Fiduciary Net Assets*
- *Statement of Changes in Fiduciary Net Assets*

Refer to the *Statement of Fiduciary Net Assets* and the *Statement of Changes in Fiduciary Net Assets* (Exhibits B-7 and B-8), the sample fiduciary fund statements, in the Sample Statement section on the NJDOE web site: http://www.state.nj.us/njded/finance/fp/gasb34/.

Unemployment Compensation Trust Funds

When a charter school elects the reimbursement method (also called the payment in lieu of contributions or pay as you go, i.e., the state pays the claim and invoices the charter school for the amount due) for unemployment compensation, the accumulation of funds is reported in a trust/fiduciary fund in the CAFR. Effective January 1, 1999, a portion of the employee's deductions for unemployment compensation are required to be deposited in the unemployment Compensation Insurance Trust Fund. This applies to charter schools that fund New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". The percentage breakdown for the worker contributions is as follows:

As of July 1, 2003

Worker Unemployment Contributions:

0.325% Submit with Quarterly Contributions Report
0.100% ***Deposit into individual trust account***
0.425%

Charter schools that fund New Jersey Unemployment Compensation Insurance under the "Contributory Method" (Agency fund) will continue to remit the entire employee deduction to the Commissioner of Labor. If you have questions that pertain to withholding and/or filing, it is recommended that you contact the New Jersey Department of Labor at (609) 633-6400.

Section 457 Deferred Compensation Plans

P.L. 2003, c.155 approved August 15, 2003, authorizes boards of trustees to establish tax-sheltered deferred compensation plans under section 457 of the federal Internal Revenue Code. Additionally, the act grandfathers any section 457 plan established by a board of trustees prior to the effective date of this law. The act amends N.J.S.A. 18A: 66-127 through 129.

GASB Statement No. 32, *Accounting and Financial Reporting fro Internal Revenue Code Section 457 Deferred Compensation Plans* as amended by GASB Statement No. 34 provides authoritative guidance on the reporting of 457 plans. Generally, the charter school Board of trustees must determine whether or not the Board is acting in the capacity as trustee for the plan. Factors such as whether the Board has retained the power to make investment decisions for the plan, approves loans made from plan assets, and approves withdrawals for unforeseen emergencies suggest the Board is acting in the capacity of a trustee.

If the Board is acting as a plan trustee, then the assets of the plan are reported in the fiduciary fund under the category "pension and other employee benefit trust funds." If the charter school has established a 457 plan and does not hold the assets in a trustee capacity, do not include the assets in the charter school's fiduciary fund financial statements. Refer to Section III, Chapter 3 for required not discloures.

Pre GASB No. 34 Agency Funds

Agency funds are utilized when the charter school is the acting agent for other governments, organizations and/or individuals. The fund resources are available for purposes designated in the underlying legal relationships. The financial statement presentation requires a statement of changes in assets and liabilities (i.e. payroll and payroll agency).

It has been learned that certain payroll service vendors are actually controlling the electronic funds transfers of charter school's cash from their payroll agency checking accounts for the purpose of making payments to various governmental and other agencies. This procedure violates the requirements of N.J.S.A. 18A:17-34 and N.J.S.A. 18A:19-1 through 4. Charter schools are not permitted to delegate control of cash payments to any payroll service vendors. Charter school auditors must recommend the discontinuance of this type of arrangement in the Auditor's Management Report.

Agency Funds Under GASB No. 34:

Agency funds report resources held and administered by the reporting charter school in a purely custodial capacity for other governments, organizations, and/or individuals. These funds typically involve only the receipt, temporary investment, and remittance of the resources to external parties. Where a charter school uses a central payroll system and reports all payroll deductions in an agency fund, the unremitted balances in the agency fund at year-end are reported by the agency fund as liabilities. Refer to Section II-10.2 for discussion on regulations related to third party disbursements (payroll service organizations). The regulations (N.J.A.C. 5:30-17 et seq.) are available at www.nj.gov/dca/lgs/rules/relesmenu.shtml..

Student activity funds are reported as agency funds within the CAFR. An arrangement between a student organization and the charter school whereby the charter school maintains the cash raised by the student organization is a common example of a student activity fund. Agency funds are included in a separate column in the *Statement of Fiduciary Net Assets.* Because an agency fund does not have net assets, it is not included in the *Statement of Changes in Fiduciary Net Assets.* The charter school will continue to present the *Student Activity Agency Fund Schedule of Receipts and Disbursements* in Other Supplementary Information (H-3).

As noted under Trust Funds, sample statements for the fiduciary funds are in the Sample Statements section on the NJDOE web site: http://www.state.nj.us/njded/finance /gasb34/.

Organizations under the Auspices of the School

Any organization which is officially recognized by the school as part of the activity program of the charter school, places at least indirect responsibility for supervision and control of that organization with the board of trustees. The board should formally approve each fund in the charter school. If any fund is an activity carried on by the board, an officer or employee of the board, or an organization of public school pupils conducted under the auspices of the board, the board must assure that financial and bookkeeping controls are established.

The State Board of Education has not prescribed a uniform system of bookkeeping for the activities funds of charter schools. *N.J.A.AC.* 6A:23-2.14 states, "Each district board of education and charter school board of trustees shall ensure through adoption of a formal board policy that all financial and bookkeeping controls are adequate to ensure appropriate fiscal

accountability and sound business practices." This policy shall include but not be limited to, the following minimum requirements:

1) Receipts shall be detailed showing date, resources, purpose and amount. All receipts should be promptly deposited in the bank. Bank deposits must agree with the receipts in the cash receipt book and must be traceable to definite receipts or groups of receipts.
2) Disbursements shall be recorded chronologically showing date, vendor, check number, purpose and amount. All disbursements should be made by check and supported by a claim, bill or written order to persons supervising the fund. Checks should bear two or more authorized signatures.
3) Book balances shall be reconciled with bank balances. Canceled checks and bank statements must be retained for examination by the auditor as part of the annual audit.
4) Student activity funds shall be classified by school.
5) Borrowing from the student activity fund is prohibited.

Charter school auditors should refer to Chapter 15 of the GAAP Technical Systems Manual.

Fund Raising in Schools by Outside Organizations

Organizations such as the United Fund, March of Dimes, etc., may request that moneys be collected. These funds are not subject to audit. Boards of trustees may give permission for the collection to be made in schools. Any teacher or pupil who serves as a collector does so as a private citizen and not as an employee of the board. Accurate records must be kept but responsibility is to the organization and not to the board of trustees for the money collected.

In order to avoid misunderstanding, we advise that boards of trustees that give permission for soliciting in a school building by outside organizations make it clear that the board is not directing the teachers and pupils to collect funds, but merely granting permission to do so. The board is further advised to disclaim any responsibility for the protection of, and the accounting for, the funds to the outside organizations.

Any collector should understand that he/she is collecting voluntarily as a citizen and not as a teacher or pupil, and that the board of trustees has no responsibility for the protection of moneys so collected. Some boards may have given permission for depositing funds collected in drives in a school activity account and the issuance of checks thereon to the outside organization. Although this might be a convenience to school personnel who are handling the money collected, it causes an undesirable commingling of funds for which the board should have no responsibility. The commingling of such funds is legally suspect. However, if it occurs the commingled funds are subject to audit by the boards' auditors.

Refer to Section I, Chapter 1 for information on GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

Funds of Teacher Organizations and Parent/Teacher Organizations
The law provides that the books, accounts and moneys of any officer or employee of the board shall be audited. This does not mean that every time a school employee serves as treasurer of an organization that the account must be audited. It is only when money is held for which the board is directly or indirectly responsible that the accounts must be audited. The board has no responsibility for the funds of teacher organiztions. A school employee who serves as a treasurer of such an organization does so as a citizen and not as an employee of the board. If moneys were deposited in a central school fund, they would be subject ot audit.

Funds Collected by Teachers from Pupils for Immediate Purchase of Items

Teachers may receive money from children to buy magazines, tickets, etc. in bulk to save the children money. It is our opinion that in so doing, the teacher represents the children and not the board of trustees and assumes and assumes full responsibility for the transactions

SECTION II – SPECIFIC COMPLIANCE
CAPITAL ASSETS

Overview

Capital assets include land and land improvements, buildings, furniture, fixtures and equipment, infrastructure items, works of art and historical treasures.

The department notified charter schools by memorandum dated January 11, 2001 that, effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to $2,000. This is a policy set for financial reporting and accounting purposes. Charter schools may use a lower threshold for asset management and insurance purposes.

Charter schools were to continue to record the addition and disposition of capital assets in the general fixed asset account group (GFAAG) through 2003-2004. For subsequent years, with the revision of the Uniform Minimum Chart of Accounts for New Jersey Public Schools, effective July 1, 2004, the GFAAG is removed as fund 80 and fund 80 has been reassigned to trust funds. **Charter schools are to continue to record the capital assets in the general ledger and may designate a numeric or alpha fund number which is suitable for their software system, e.g., 100, 99, or CA. The ledger should be updated on a periodic basis (e.g., monthly) for internal control.**

Reporting Capital Assets

Capital assets are reported in the charter school-wide statements at historical cost, including ancillary charges necessary to place the asset into its intended location and condition for use. "Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charge, if any." (GASB 34, par. 18, as amended by GASB 37, par. 6).

Government Funds Statements
General capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds statements (*Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances).*

Statement of Net Assets
Report these assets within the governmental activities column in the charter school-wide *Statement of Net Assets.* Capital assets of proprietary funds are reported in both the charter school-wide and fund financial statements. Capital assets of fiduciary funds are reported only on the statement of fiduciary net assets at the fund level since fiduciary funds are not reported at the charter school-wide level.

Capital outlays are reported as a reconciling item in the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities,* which reconciles the net change in government fund balances to the change in net assets of governmental activities.

Charter school staff and auditors may refer to the NJDOE GASB 34 web site for sample statements noted above http:/www.state.nj.us/njded/finance/fp/gasb34/outline.shtml#worksheets. Charter school staff and

auditors should also refer to the Section II-30, Capital Projects Fund of this Audit Program for related subjects.

Capital Leases

Assets acquired under a capital lease would be recorded at the inception of the lease. In order to convert the fund financial statements from a modified accrual basis to an accrual basis for the preparation of the government-wide financial statements, the expenditure must be capitalized, any related depreciation expense must be recorded, and the debt must be recognized along with the accrual of any related interest expense.

Construction in Progress

Assets under construction are tracked through Construction in Progress until completion. *N.J.S.A.* 18A: 18A-42 provides that purchase orders for construction, reconstruction, or rehabilitation of any public building are valid for the length of time authorized for completion of the actual project.

GASB 34 Model - Sample Format for the Capital Asset Subsidiary Ledger

As noted in Chapter I-1 of this Audit Program, schedules of capital (fixed) assets should be prepared prior to audit. The following is a suggested minimum format for charter schools' use in maintaining records of capital assets, including accumulated depreciation (Accum. Depr.) and depreciation (Depr.):

Classification	N1	N2	Date Placed in Service	Acquisition Cost	Method of Depr.	Life	6/30/03 Accum.Depr.	7/1/03 - 6/30/04 Depreciation Expense	6/30/04 Accum. Depr.
Buildings:									
School #1			**9/1/1997**	**$5,000,000**	**S/L**	**35 yr**	**$547,619**	**$142,857**	**$690,476**
Furniture:									
Desks	**B2**	**P5**	**9/1/1997**	**$5,000**	**S/l**	**10 yr.**	**$1,917**	**$500**	**$2,417**

N1 – Assets should be tagged and maintained by physical location.
N2 - Assets that can be specifically identified to a program or function should be noted with the program code. If assets are not specifically identifiable, the charter school should note "N/A" in the program column.

Refer to III-6.6 (Audit Checklists and questionnaire) for capital asset schedule requirements.

Depreciation Expense

The *GASB 34 Implementation Guide* dated April 2000 provides guidance on depreciation expense which is to be reported as a direct expense of the function served. As the number of functions served by an asset increases, the ease, practicality and usefulness of assigning depreciation to those functions decreases. Therefore, depreciation of assets serving many or essentially all functions is not required to be included in the direct expense of those many functions. Depreciation of a shared capital asset used by only a few functions can be allocated to those functions using an objective measure for the assignment of cost. For example, building depreciation may be allocated based on square footage assigned to the respective functions. The department recommends charter schools use the straight line method of depreciation.

SECTION II – SPECIFIC COMPLIANCE
PERMANENT FUND

GASB 34 Model

A permanent fund is used to report resources that are legally restricted so that only the earnings they generate, and not the resources themselves, may be used to support he charter school's programs. Resources reported as non-expendable trust funds prior to GASB 34 should be reported as a permanent fund if the charter school has an ownership interest in the assets.

Examples of resources accounted for and reported in a permanent fund include:

- The charter school has received a large bequest from the estate of a wealthy benefactor. The corpus of the donation cannot be spent, but instead is required to be invested to provide earnings that are restricted for a special use identified by the benefactor, e.g. maintenance of the libraries.
- A local resident has donated investments with the stipulation that only the earnings of the investments may be used to purchase musical instruments for the schools.

A permanent fund does not include private-purpose trust funds, which are used to report situations in which the charter school is required to use the principal or earnings for the benefit of those <u>outside</u> the charter school (individuals, private organizations, or other governments), not for charter school purposes. See Section II-60 for treatment of trust funds in the fiduciary fund section of the financial statements.

SECTION II – SPECIFIC COMPLIANCE
SINGLE AUDIT

Federal and State Audit Requirements

Applicable Guidance

Federal

The Single Audit Act Amendments of 1996 (Act) establishes uniform requirements for audits of Federal awards administered by non-Federal entities. The Act promotes sound financial management, including effective internal controls, with respect to Federal Awards administered by non-Federal entities. The Federal Office of Management and Budget (USOMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations which provides the government wide guidelines and policies on performing audits to comply with the Single Audit Act, also requires the use of GAGAS. USOMB issued a revised version of Circular A-133 in June 2003. Non-federal entities that expend $500,000 or more in a year in Federal awards are required to have a Single Audit in accordance with provisions in Circular A-133. The revised version of Circular A-133 is available on the web site, http://www.omb.gov.

The Act requires that generally accepted auditing standards (GAGAS) be followed in audits of state and local governments. Government Auditing Standards issued by the Comptroller General of the United States addresses the standards and guidance generally known as GAGAS. The current audit standards are specified in Government Auditing Standards (the 2003 Yellow Book). This revision is effective for financial audits of periods ending on or after January 1, 2004. It supersedes the 1994 revision, including Amendments 1 through 3. A printed copy of the document can be purchased from the Government Printing Office (GPA) – by calling the Superintendent of Documents at (202) 512-1800 or via the GPO website at http://bookstore.gpo.gov. When ordering this document, refer to Stock Number 020-000-00284-1. The 2003 Yellow Book is available in electronic form through the GAO website www.gao.gov.

When auditing federal programs, auditors are strongly advised to use the OMB 133 Compliance Supplement (Supplement) in Appendix B of Circular A-133. USOMB Circular A-133 is available on the Internet at http://www.omb.gov (click on Circulars). At that site, under A-133, select Appendix B: March 2004 Compliance Supplement, and then at the pulldown table of contents, select the appropriate department (e.g. Dept. of Agriculture, Dept. of Education, Dept. of Health and Human Services).

A list of changes for the 2004 Compliance Supplement can be accessed at Appendix V of the document. Auditors should review the Supplement for changes made by the No Child Left Behind Act (NCLB) of 2001. The 2004 Compliance Supplement is available for sale from the GPO by calling (202) 512-1800. The stock number for this document is 041-001-00593-5.

The applicable Catalog of Federal Domestic Assistance (CFDA) number for a federal grant or federal aid can be found on the New Jersey Department of Education (NJDOE) Contract. A listing of grants available through NJDOE with their CFDA numbers is in this chapter of the Audit Program (Section II-SA) and the auditor can look up a program at the CFDA web site: http://www.cfda.gov/public either by clicking on the link to All Programs Listed Numerically or

accessing the CFDA 2003 Edition (PDF) and selecting an index by agency or the alphabetical index. The numeric listing can be directly accessed at http://www.cfda.gov/public/allprogs.asp.

State of New Jersey

NJ State Office of Management and Budget (NJOMB) Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (NJOMB 04-04) supercedes NJOMB 98-07 and establishes State policy and procedures regarding audits of grant and State aid recipients, and outlines the responsibilities of state agencies and grant recipients to ensure that recipient audits are performed according to Federal and State requirements. NJOMB 04-04 is available on the website: http://www.state.nj.us/infobank/circular/cir0404b.htm. The revision raises the threshold for a single audit to $500,000 or more expended in federal financial assistance or State financial assistance within the recipient's fiscal year. This revision did not change the requirement that recipients which expend less than the threshold of $500,000 in federal or State financial assistance within their fiscal year, but expend $100,000 or more in State or federal financial assistance within their fiscal year, must have either a financial statement audit performed in accordance with Government Auditing Standards (Yellow Book) Or a program-specific audit performed in accordance with the Act, Amendments, OMB A-133 Revised and State policy. Compliance requirements for the Department of Education (and other departments) are contained in the State Grant Compliance Supplement which is published to assist auditors in testing recipient compliance with state grant and State aid financial assistance programs and applicable laws and regulations which is available on the Internet at http://www.state.nj.us/treasury/omb/ (see Highlights).

AICPA

In March 1998 the AICPA issued SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, to provide guidance on the auditor's responsibilities when conducting a single audit or program specific audit in accordance with the Single Audit Act Amendments of 1996 and USOMB Circular A-133. The SOP incorporates guidance from The Single Audit Act Amendments of 1996, OMB Circular A-133, AICPA Statement on Auditing Standards No. 74, *Compliance Auditing Considerations in Audits of Government Entities and Recipients of Governmental Financial Assistance, Government Auditing Standards*, and OMB Circular A-133 Compliance Supplement (Provisional). The September, 2002 GASB 34 edition is applicable for the first fiscal period ending after June 15, 2003 in which a government is required to apply the provisions of GASB 34, i.e., June 30, 2003 audit for New Jersey charter schools on GASB 34. **Auditors of charter schools are advised to refer to the AICPA Audit Guide (GASB 34 Edition) for updated report illustrations and other guidance.**

Risk-Based Approach

Please note that if a charter school is being audited for the second time under Circular A-133 the auditor must follow the risk-based approach to determine major programs in accordance with section .520 of Circular A-133. Section .520(i) of Circular A-133 allows auditors to deviate from the use of the required risk-based approach when determining major programs during the first year that an entity is audited under the revised Circular A-133 or the first year of a change of auditors.

NJOMB Circular Letter 04-04 also requires the use of the same risk based approach to audit and monitor State financial assistance as used in federal programs. AICPA Statement of Position (SOP) 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards, and Circular A-133 (Section .520) should be referenced for guidance on this approach.

General Notes Regarding the Schedule of Expenditures of Federal Awards and State Financial Assistance

All special projects including those funded by pass-through monies, other than those funded locally under the general fund, must be separately accounted for in the charter school accounting records. The CAFR must include a separate *Schedule of Expenditures of Federal Awards* (Schedule A) and a separate *Schedule of Expenditures of State Financial Assistance* (Schedule B). Instructions regarding schedule preparation are included in this section of this document. Please note the titles of these reports pursuant to USOMB Circular A-133 and NJOMB Circular Letter 04-04.

Specific Notes Regarding Federal Awards:

Carryover

In the event that the budgetary expenditure incurred by the charter school is less than the amount of federal aid cash received (special revenue only), the charter school shall apply for carryover where permissible by statute after completion of the project period. Those funds not available for carryover but with a grant expiration date beyond June 30th, are not due to the grantor until the grant expiration date has elapsed. In the event of one of these situations, excess cash received shall be reported as deferred revenue on the *Schedule of Expenditures of Federal Financial Assistance* (Schedule A) of the audit report, in the column entitled "Deferred Revenue/(Accounts Receivable)." When the amount of cash received is less than budgetary expenditures, a receivable shall be shown as a negative amount on Schedule A, in the column entitled "Deferred Revenue." When the amount of cash received is less than budgetary expenditures, a receivable shall be shown as a negative amount on Schedule A, in the column entitled "(Accounts Receivable)." No negative cash balances are permissible in the balance sheet. There should be an interfund payable set up to reflect advances from the General Fund.

When no carryover application is made, when current grant funds are expired or when prior year entitlement funds are expired, the funds shall be refundable to the department and shall be reported on Schedule A, column entitled "Due to Grantor." All funds that have been refunded during the fiscal year shall be shown on Schedule A, column entitled "Repayment of Prior Year Balances."

The *No Child Left Behind Act* (NCLB) of 2001 (P.L. No. 107-110) reauthorizes the *Elementary and Secondary Education Act of 1965* (ESEA). NCLB contains fiscal compliance issues including, but not limited to, supplement not supplant, commingling of funds, allowable costs, administrative costs caps, maintenance of fiscal effort, comparability, transferability, and schoolwide programs. Auditors are advised to obtain the most recent Federal OMB-133 Compliance Supplement, and other NCLB Policy Guidance available at http://www.ed.gov/offices/OESE/asst.html. The NCLB updated Compliance Supplement is expected to be available in Mid-April 2004. The New Jersey NCLB Reference Manual includes fiscal guidance in Section IV "Fiscal Regulations and Responsibility" of the FY 2003 NCLB Application available at http://www.njgov/njded/grants/entitlement/nclb.

It should be noted that pursuant to the *Elementary and Secondary Education Act* (ESEA) as amended by the *Improving America's Schools Act*, the U.S. Department of Education has provided guidelines for preparing the schedule of expenditures of federal financial awards when grantees transfer amounts between ESEA programs, consolidate administrative funds of ESEA programs or combine ESEA funds in

a schoolwide program. For pre-NCLB programs, the ESEA Compliance Supplement should be referenced for these guidelines. **Auditors are advised to obtain the most recent Federal Compliance Supplement, available on the Internet website:** http://www.ed.gov/legislation/ESEA .

Schoolwide Status: All charter schools with an approved Title I schoolwide program may combine certain federal funds. If the school does combine these resources, the expenditures are then accounted for down to the function object level as a combined federal source. Those expenditures will need to be allocated back to the original federal funding sources at June 30. This activity for the charter schools will be recorded in Fund 20, not Fund 15.

Preparing the Schedule of Expenditures of Federal Awards and State Financial Assistance

Two separate schedules, the *Schedule of Expenditures of Federal Awards* and the *Schedule of Expenditures of State Financial Assistance* are prepared from the charter school records and must include all active (i.e. - not closed) financial assistance programs in which a charter school is participating regardless of the fund in which they are accounted . The format of the schedules was designed to provide the history of a grant from its initial award to the final disposition of funds through either their expenditure or their refund to the grantor. Each schedule must reflect the current fiscal year's activity by program in the format as presented later in this chapter of the Audit Program (II-SA). The information is presented on a budgetary basis and must agree with the amounts reported in the *Budgetary Comparison Schedules* and the *Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis.* Explanations of the information required to be included are presented below.

Schedule Definitions/Headers

Grantor/Program Title: This column designates the original grantor department/agency (grantor) of the financial assistance and the name of the assistance program. Programs are classified by grantor and are further delineated within grantor as to direct or pass-through programs. The schedule must identify the program as direct or pass-through. When there are several active grants within the same program they will be presented separately within the schedule.

Federal CFDA Number: Applicable to *Schedule of Expenditures of Federal Awards* only. Represents the federal program number, which is obtainable from the Catalog of Federal Domestic Assistance (CFDA). When the CFDA number is not available, this fact should be noted and the program should be identified by another identifying number, if available.

Grant or State Project Number: (State Aid NJSFS Number): Used by the Department of Education for monitoring and reconciling state awards. This is applicable to the *Schedule of Expenditures of State Financial Assistance* only and represents the state identifying number. It can be obtained in a latter page of this chapter of the Audit Program (II-SA) or from the NJ State Appropriations Handbook.

Grant Period: Represents the initial period for which the program was awarded.

Award Amount: Designates the amount of the initial program award. The full amount of the award or grant agreement should be reported in this column. **Noncash awards such as a state grant for facilities (EDA/SCC funds) which are paid directly by the EDA/SCC to the vendors are included in this column and may be notated (NC).**

Balance at Year-End, 20X1: This column represents deferred revenue, intergovernmental accounts payable (due to grantor), or intergovernmental accounts receivable for those prior year programs, which have balances as of the end of the prior fiscal year. Due to Grantor should be reported in a separate column. A charter school may report accounts receivable and deferred revenue in either a single column or a separate column. A positive amount reflects deferred revenue or intergovernmental accounts payable and a negative amount represents an intergovernmental accounts receivable or in the case of restricted state aids, a negative amount represents a deficit in the program which would be related to the deferral of the last state aid payment.. These amounts must agree with the prior year's CAFR.

Carryover/(Walkover) Amount: Reflects the movement of award proceeds, which have been approved for carryover into a carryover program code. Note that any walkover amount must be reflected as a negative amount on the line from which it was transferred, and a positive amount on the grant/aid program line to which it was transferred. Prior year state restricted formula aids would be reflected in this column.

Cash Received: Reflects the amount of cash received during the current fiscal year for the applicable financial assistance program.

Budgetary Expenditures: Represents the total costs chargeable to the program during the current fiscal year on a budgetary basis. These amounts must agree with the amounts reported in the *Budgetary Comparison Schedules (*General Fund and Special Revenue Fund) and the *Budgetary Comparison Schedule, Note to RSI* and the *Special Revenue Combining Schedule of Program Revenues and Expenditures – Budgetary Basis.*

Adjustments: In instances where a grant period overlaps fiscal years and the grant has not closed out as of the end of the current fiscal year, favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in the prior year should be included in the S*chedules of Expenditures of Federal Awards (*Schedule A) and *Schedule of Expenditures of Expenditures of State Financial Assistance* (Schedule B) in a column entitled "Adjustments." This column would not be used for differences in the liquidation of encumbrances on grants, which have closed out as of the end of the current fiscal year since these differences would affect current year expenditures. Reporting this information separately from current year expenditures will provide a clearer indication of the grant activity during a period of time.

Any amount reported as an adjustment in the Schedule A or Schedule B must be fully explained in the *Notes to the Schedules of Expenditures of Awards and Financial Assistance*, including the reason for the adjustment and the period to which it pertains. The charter school should include a column for Adjustments only if it is applicable. The column is not shown on the sample Schedule B, but would be inserted after the Expenditures column.

Repayment of Prior Years' Balances: Repayments made during the current fiscal year to a grantor for unexpended funds on a program whose grant period has expired and no carryover was granted or allowed. Do not list Repayment of Prior Years' Balances unless refunds have been sent to the Grantor. The charter school should include a column for Repayment of Prior Years' Balances only if it is applicable. The column is not shown on the sample Schedule B, but would be inserted after the Expenditures (or Adjustments if applicable) column.

Intragovernmental Accounts Receivable at June 30, 20X2: Amounts receivable from the grantor as of fiscal year end are reflected here. These amounts must agree with the amounts reported in the BasicFinancial Statements Amounts reported on the Schedule B will differ by the amount of state aid which is paid in July of the subsequent year, exclusive of deductions. The amount reflected on Schedule B is computed using the Program amount less the cash received.

Deferred Revenue at Year-End, 20X2: Unexpended award proceeds as of fiscal year end which are expendable in the subsequent fiscal year or amounts receivable from the grantor as of fiscal year end are reflected here. These amounts must reconcile to the amounts reported in the Basic *Financial Statements.*

Due to Grantor at Year-End, 20X2: Unexpended award proceeds, which are due back to the grantor as of fiscal year end, are listed here. These amounts are reflected in the general ledger as Intergovernmental Accounts Payable and must agree with the amounts reported in the Basic *Financial Statements* and in the *Combining Schedules* by the amount of the state aid payment (general and special revenue fund) made in July of the subsequent year. . This column will be utilized by the Department of Education to identify and collect moneys due to the state for federal and state programs. If a charter school has amounts due back to the grantor at the end of the fiscal year, that amount must appear in the Due to Grantor column of the current fiscal year, and also in each subsequent year's CAFR as a balance at June 30 of the prior year until the amount is ultimately repaid. If a charter school has no unexpended award proceeds due back to the grantor, show the column heading and leave the column blank.

Total Expenditures: This column must be used to report the cumulative expenditures of a grant (NJ OMB 04-04). If the grant crosses fiscal years, the amount may differ from the budgetary expenditures. For most forms of aid reported by NJ charter schools, the amounts will be the same.

These schedules are prepared using budgetary expenditures which must be reconciled to the *Balance Sheet – Governmental Funds* on the *Budget to GAAP Reconciliation in the Notes to RSI.* The amount of the state aid payment made in July (general and special revenue fund) of the subsequent year as well as encumbrances in the special revenue fund will be reported as reconciling items.

The Auditors Management Report and the Schedule of Findings and Questioned Costs must indicate whether the charter school has complied with federal and state regulations in a timely manner. Grant refunds are to be submitted (immediately) with the Final Expenditure Reports. Discretionary grant refunds are required by the department upon approval of the final expenditure report. If grant periods extend beyond the audit deadline of June 30th, unexpended funds should be listed as Deferred Revenue and refunded with the Final Expenditure Reports. Do not list Repayment of Prior Years' Balances unless refunds have been sent to the Grantor. If the Charter School Schedule of Finding and Questioned Costs or Audit Findings indicate that refunds are due, the refunds are to be submitted promptly with an explanation regarding the findings.

Grant Closeout Procedures regarding refunds are identified under state and federal guidelines:

Circular Letter 89-19-OMB: XXIV

(C) "The Grantee will, together with the submission of the final report, refund to the Department any unexpended funds or unobligated (unencumbered) cash advanced, except such sums that have been otherwise authorized in writing by the Department to be retained."

Code of Federal Regulations: Title 34 Education [Part 80 – Sec. 80.50 Closeout]

(d)(2): "The grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants."

Corrective Action Plans filed by the charter school with the grantor indicate non-compliance issues. Auditors should review the Charter School's Findings, and the Schedule of Findings and Questioned Cost and the schedules listed above. When a Corrective Action Plan has been adopted by the charter school, the auditor must consider the impact of the potential non-compliance with the grant terms on the financial statements. (CAFR).

Additional Information:

The schedules of expenditures of federal awards and expenditures of state financial assistance must be in the same format as those shown in the sample schedules in this chapter, including all columns, even if left blank. Schedules must be subtotaled by grantor and reflect grand totals for the following columns: Budgetary Expenditures, Deferred Revenue, (Intergovernmental Accounts Receivable), and Due to Grantor. The value of noncash assistance must be included on the applicable schedule or a note in the schedule. In addition, federal programs included in a cluster of programs must be listed individually.

The award amount, cash received, and budgetary expenditure figures for general fund state aids other than TPAF Social Security reimbursements should be equal and agree with the amount shown as revenues for the applicable state aid in the financial statements. This also applies to on-behalf TPAF Pension amounts that must be included in the Schedule of Expenditures of State Financial Assistance.

TPAF Social Security reimbursements must be reflected on the schedule of expenditures of state financial assistance. Any receivable outstanding from the prior year should be shown on a separate line. The current year award and expenditure amount represents the total of the amounts submitted for reimbursement during the current year. The uncollected balance (cash received minus amount billed) is shown as intergovernmental accounts receivable at year end.

Food Distribution Program (Formerly USDA Commodities) should be presented in the schedule at the full cash equivalent value. The award and cash received amounts should be the value of the commodities distributed during the year. The budgetary expenditures amount is the amount of inventory consumed and the deferred revenue amount is the ending inventory amount.

The identification of major programs with an asterisk (*) in the schedule of expenditures of federal awards and state financial assistance is not required. This information is included in the Schedule of Findings and Questioned Costs prepared by the auditor.

FEDERAL PROGRAM NUMBERS FROM CATALOG OF FEDERAL DOMESTIC ASSISTANCE (List Not All Inclusive)

CFDA #	
10.550	Food Donation
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.564	Nutrition Education and Training Program
47.049	Statewide Systemic Initiative in Science, Mathematics and Engineering Education
84.002A	Adult Education – Basic State Grant
84.010A	Title I Grants to Local Educational Agencies
84.011A	Migrant Education - Basic State Formula Grant Program
84.013A	Title I Program for Neglected and Delinquent Children
84.025A	Services for Children with Deaf-Blindness
84.027	Individuals with Disabillities – States Grant
84.040	Impact Aid – Facilities Maintenance
84.041	Impact Aid
84.048A	Vocational Education - Basic Grants to States
84.173	Special Education- Preschool Grants

FEDERAL PROGRAM NUMBERS cont'd.

CFDA #	
84.184C	Community Service for Expelled or Suspended Students
84.185	Byrd Honors Scholarships
84.186A	Safe and Drug-Free Schools and Communities - State Grants (SEA Portion)
84.186B	Safe and Drug-Free Schools and Communities – State Grants (Governor's Portion)
84.196	Education for Homeless Children and Youth
84.213C	Even Start – State Education Agencies
84.215V	Partnerships in Character Education
84.243A	Vocational Education – Tech Prep Education
84.282	Public Charter Schools
84.287C	After School Learning Centers (21st Century)
84.298A	Innovative Education Programs Title V
84.323	84.318X Enhancing Education through TechnologyState Program Improvement Grants
84.330	Advance Placement Fee Program
84.332A	Comprehensive School Reform Dem Program
84.336A	Teacher Quality Enhancement State/Partnerships Grants
84.357A	Reading First
84.358B	Rural and Low-Income Schools
84.365A	English Language Acquisition (SEA)
84.366B	Mathematics & Science Partnerships
84.367A	Improving Teacher Quality State Grants
84.367B	Improving Teacher Quality Grants SAHES (Higher Ed)

FEDERAL PROGRAM NUMBERS cont'd.

CFDA #	
84.369A	State Assessments & Related Activities
93.576	Refugee Children School Impact
93.778	Medical Assistance Program
93.938	Improving the Health Education & Well-Being of Young People – Yr. 2 of 5

STATE AID AND STATE GRANT STATE ACCOUNT NUMBERS

GENERAL FUND

04-	495-034-5120-022	Core Curriculum Standards Aid
03-	495-034-5068-002	Local Mandate Emergency Aid, Charter School Nonpublic Aid, Charter School Abbott K. Aid
04-	495-034-5068-001	School Choice Aid
04-	495-034-5120-011	Special Education Aid
04-	495-034-5120-008	Bilingual Education Aid
04	495-034-5120-057	Consolidated Aid
04-	100-034-5095-050	Teacher's Pension and Annuity Fund
04-	100-034-5095-051	Social Security Tax
04-	495-034-5120-025	Early Childhood Program Aid
04-	495-034-5064-002	Demonstrably Effective Program Aid

ENTERPRISE FUND

04-100-010-3360 -067	State School Lunch Program
04-100-010-3360 096	State School Breakfast Program

SPECIAL REVENUE

04-495-034-5120-053	Character Education

ANYTOWN CHARTER SCHOOL
Schedule of Expenditures of Federal Financial Assistance
for the Fiscal Year ended June 30, 2004

SCHEDULE B

					Balance at June 30, 2003						Balance at June 30, 2004			MEMO	
Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Program or Award Amount	Grant Period From	Grant Period To	Deferred Revenue (Accts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	(Accounts .Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

ANYTOWN CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2004

SCHEDULE B

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2003 Deferred Revenue (Accts Receivable)	Balance at June 30, 2003 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2004 (Accounts .Receivable)	Balance at June 30, 2004 Deferred Revenue	Balance at June 30, 2004 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures

6

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Date Issued 6/04

_____ CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 20__

Section I --Summary of Auditor's Results

Financial Statements

(Reference – Section .510 of Circular OMB-133)

Type of auditor's report issued: _____

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes _____ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ none reported

Noncompliance material to basic financial statements noted? _____ yes _____ no

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ none reported

Type of auditor's report issued on compliance for major programs: _____

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes _____ no

Identification of major programs:

CFDA Number(s)	**Name of Federal Program or Cluster**
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between type A and type B programs: $_____

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 20__
(continued)

Section I --Summary of Auditor's Results (cont'd.)

Auditee qualified as low-risk auditee? _____ yes _____ no

State Awards

Dollar threshold used to distinguish between type A and type B programs: $_____

Auditee qualified as low-risk auditee? _____ yes _____ no

Type of auditor's report issued on compliance for major programs: _____

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ none reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? _____ yes _____ no

Identification of major programs:

State Grant/Project Number(s)	Name of State Program

Note to Preparer: When a Federal or State single audit is not required -- do not include that Awards Section.

_____ CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 20__
(continued)

Section II -- Financial Statement Findings

[This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*. See the AICPA Audit Guide *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards* for further guidance on this schedule.]

(Note to Preparer -- Identify each finding with a reference number and present in the following level of detail, as applicable. If there were no findings, state that no matters were reported)

Finding XX-X

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

_____ CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 20__
(continued)

Section III -- Federal Awards and State Financial Assistance Findings and Questioned Costs

[This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.]

(Note to Preparer -- Identify each finding with a reference number. If there are no findings, state that no matters were reported. Findings that are required to be included in both Section II and Section III may be summarized in one section with a reference to the detailed reporting in the other section. When a Federal or State single audit is not required -- do not include that Awards Section.)

FEDERAL AWARDS

Finding XX-X

Information on the federal program(1):

Criteria or specific requirement:

Condition (2):

Questioned Costs (3):

Context (4):

Effect:

Cause:

Recommendation:

Management's response (5):

_____ SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 20__
(continued)

Section III -- Federal Awards and State Financial Assistance Findings and Questioned Costs (cont'd.)

STATE AWARDS

Finding XX-X

Information on the state program (1):

Criteria or specific requirement:

Condition (2):

Questioned Costs (3):

Context (4):

Effect:

Cause:

Recommendation:

Management's response (5):

(1) Provide the federal program (CFDA number and title) and state program (NJCFS number) and agency, the federal/state awards number and year, and the name of the pass-through entity, if applicable.
(2) Include facts that support the deficiency identified in the audit finding.
(3) Identify questioned costs as required by section .510(a)(3) and .510(a)(4) of Circular A-133 and NJOMB Circular Letter 04-04.
(4) Provide sufficient information for judging the prevalence and consequences of the finding, such as the relation to the universe of costs and/or number of items examined and quantification of audit findings in dollars.
(5) To the extent practical, indicate when management does not agree with the finding and/or questioned cost.

Summary Schedule of Prior Audit Findings

Charter Schools, which are required to have a federal and/or state single audit conducted in accordance with USOMB Circular A-133 and/or NJOMB04-04, are responsible for preparing the summary schedule of prior audit findings and the corrective action plan as part of the Reporting Package required to be submitted to the Federal Clearinghouse and/or State funding departments. Charter Schools should refer to USOMB Circular A-133 section .315 for guidance on preparing these schedules. A sample of the summary schedule of prior audit findings is shown below.

Note to Auditor: Auditors are reminded that OMB-133, par.500(e) states "The auditor shall follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with par. 315(b) and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor shall perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year."

SAMPLE ONLY

_____ CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 20__

[This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (section .315 (a)(b)) and NJOMB Circular 04-04.]

(Note to Preparer -- Identify each prior-year finding with its prior-year reference number and present in the following level of detail. If there were no findings, state that no matters were reported.)

STATUS OF PRIOR YEAR FINDINGS

Finding #_____

Condition

Current Status

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SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

Accounting Principles

Accounting principles are guidelines or rules developed from experience or from research. Their purpose is to provide assurance that the information presented in the financial statements is valid, useful, and reliable. The auditor should make sufficient examination into the accounting principles used to permit a professional opinion as to whether the accounting system and the representations of management evidenced by financial reports are in conformity with such principles. Material changes and the reasons for them, if ascertainable, should be identified and their effect upon the financial reports, both historically and prospectively, should be explained. The auditor should also state his opinion as to the propriety of the change. Accounting principles on which the auditor's opinion is based should be identified in his report, as should statutory or administrative provisions adversely affecting the accounting principles in use by the organization, program or activity.

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

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

Peer Review

N.J.A.C. 6A:23-2.2(i) requires that 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 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 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 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 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 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 2003 Yellow Book) has revised 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 charter school which has contracted for the audit or attestation engagement. Auditors should refer to Sections 3.49 – 3.56.

Audit Submission

The audit must be completed not later than 4 months after the end of the fiscal year (November 1). N.J.S.A 18A:23-3 requires "...such accountant shall within 5 days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner." (November 5) No provision is made for the issuance of extensions beyond the statutory due date.

If a charter school fails to have an annual audit completed by November 1, the Commissioner of Education can appoint a qualified auditor to conduct the audit of the charter school. The cost of conducting such an audit would be paid out of the funds of the charter school.

The following section provides information on the required documents to be submitted. A checklist (see page III-1.5) to organize the various documents should be completed and included as part of the required 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 charter school by the Department.

Audit Reporting Package

- The Reporting Package for most charter schools consists of two separate required audit reports: the CAFR and the Auditor's Management Report (AMR). Both reports must be signed by the appointed public school accountant performing the audit, not by the firm or corporation that employs the auditor, submitted to the charter school board of trustees.

Audit Summary diskette (Audsum)
The Audit Summary Worksheet is generated by the software and must be signed by both the auditor and the charter school business administrator.

- The Audsum 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 non-Abbott districts. It must still be signed by the auditor, maintained in the auditor's workpaper files, and available to the Department upon request.
- The Audit Questionnaire should not be sent to the Department of Agriculture.

Additional reports submitted to the Department

- Peer Review Report
- Data Collection Form (if applicable; see Single Audit section III-1.6)

MAILING ADDRESS *(Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.)	AUDIT DOCUMENTS	TIME AFTER AUDIT TO SUBMIT/ # COPIES
Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132	Federal Reporting Package ** Data Collection Form (Only required for 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 School Funding 100 Riverview Plaza P.O. Box 500 Trenton, NJ 08625-0500	See CHECKLIST on next page	Within five days
NJ Department of Agriculture Bureau of Child Nutrition Programs *33 W. State ST. - 4th floor P.O. Box 334 Trenton, NJ 08625	*See Note below *See CHECKLIST on next page	Within five days; **One copy of each**
County Superintendent of Schools	Audit Reporting Package - CAFR, AMR, & CAP	Within five days - **One copy**

Note: The reporting package must be sent to each pass-through entity when the schedule of findings and questioned costs disclosed audit findings relating to Federal awards that the pass-through entity provided or the summary schedule of prior audit findings reported the status of any audit findings relating to Federal awards that the pass-through entity provided. (OMB 133, Section C_320(e)(1).

For NJ Dept. of Agriculture reporting:
When a subrecipient is not required to submit a reporting package to a pass-through entity pursuant to

§C_(e)(1) of OMB 133, the subrecipient shall provide written notification to the pass-through entity that: a) an audit of the subrecipient was conducted in accordance with this part (including the period covered by the audit and the name, amount, and CFDA number of the Federal award(s) provided by the pass-through entity; b) the schedule of findings and questioned costs disclosed no audit findings relating to the Federal award(s) that the pass-through entity provided; and c) the summary schedule of prior audit findings did not report on the status of any audit findings relating to the Federal awards that the pass-through entity provided. A subrecipient may submit a copy of the complete reporting package to a pass-through entity to comply with this notification requirement OMB 133, Section C_320(e)(2).

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

1. Name of Charter School_____

2. County_____

3. Tax ID Number_____

4. Accounting Firm_____

5. Contact at CPA Firm

   Name_____

   Phone (optional)_____

   Email (optional)_____

Audit Submission to the NJ Department of Education

2 Copies of CAFR

2 Copies of AMR

1 Copy of Peer Review

1 Copy of Data Collection Form

Auditor's Questionnaire (See Section III-6 of this Audit Program)

- This questionnaire should be signed by the auditor and should be maintained in the auditor's workpapers, and available to the department upon request.

Single Audit Report Submission Requirements

Pursuant to USOMB Circular A-133, those charter schools expending $500,000 or more in federal awards, are required to submit a Data Collection Form and a Reporting Package to the Federal Clearinghouse. The Data Collection Form is signed by both the auditor and the charter school and is to be included as a separate document, not as part of the Reporting Package. The Peer Review report should be mailed to the Single/Grants Audit Unit (see address below).

Federal Single Audit Requirements

For 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 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 charter schools, no submission to the Federal Clearinghouse should occur later than November 30th.
- The submission of anything other than a complete Data Collection Form and Reporting Package will be returned to the auditee.
- The Data Collection Form is to be submitted to the Clearinghouse as a separate document, not as part of the reporting package.
- The Data Collection Form is signed by both the charter school and the auditor.
- The Data Collection Form and one copy of the Reporting Package should be submitted to the Clearinghouse for the Federal Clearinghouse archival copy.
- The auditee must also submit to the Clearinghouse one copy of the reporting package for each Federal awarding agency 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 Federal awarding agency provided directly**.

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. The Data Collection Form must indicate the federal awarding agency(ies) that should receive the additional report(s). The Clearinghouse will distribute the additional copies to the appropriate federal awarding agencies using the information reported on the form.

The Data Collection Form (SF-SAC) and instructions for completing the form are available on OMB's home page or from the Federal Audit Clearinghouse at 1-888-222-9907. The Clearinghouse has also developed the Data Collection Form in various word processing packages, as well as a process for electronic submission. Auditors should reference the Clearinghouse home page for further information.

Federal Reporting Package

The Reporting Package must include the following (OMB-133, ¶__.320)

- 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. This requirement differs from the requirement for filing the corrective action plan with the county superintendent. The corrective action plan filed with the county superintendent addresses each finding included in the Auditors' Management Report and must be filed within 30 days following the board meeting at which the audit was discussed. In accordance with OMB Circular A-133 section .320(c), the corrective action plan is a required component of the Reporting Package. Charter Schools should prepare the A-133 corrective action plan in a timely manner so as to meet this filing deadline. See OMB Circular A-133 section .315(c) for guidance on preparing the A-133 corrective action plan.

Submission of Federal Reports to State Departments

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

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

NJOMB Treasury Circular Letter 04-04 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
Corrrective Action Plan (if different from federal CAP)

Corrective Action Plan – State requirements

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

Auditors may voluntarily submit a diskette with the ADOBE file of the CAFR to East State Street and mark the diskette with the County and Charter School names.

If there are findings related to funds passed through the NJ Department of Agriculture (e.g. Charter School Aid – low-income, child nutrition), one copy of the reporting package must be sent to eht NJ Department of Agriculture, Bureau of Child Nutrition Services, 33 W. State Street – 4th floor, P.O. Box 334, Trenton, NJ 08625. If there are no findings related to NJ Department of Agriculture, the department prefers that a letter of notification be sent to that address. See the note on page III-1.3.

Reporting Errors

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

- Immaterial Errors and Omissions
  Sometimes an auditor will detect an error that requires disclosure pursuant to N.J.S.A. 18A: 23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.

- Other Recommendations to the Board of Education
  Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditors' Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the 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 Treasury Circular Letter 04-04 all 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 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 Auditors' Management Report.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

Directives for Auditors Reports

The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 (Amendments) establish 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. OMB A-133 was revised (Federal Register June 27, 2003) and raised the audit threshold for all recipients, including state and local governments to $500,000. The provisions of OMB Circular A-133 Revised are effective for fiscal years ending after December 31, 2003.

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. NJOMB Circular Letter 04-04 supercedes Circular Letter 98-07-OMB. Recipient single audits must contain reports and opinions for State funds similar to those required for federal single audits. A recipient in any local government (including charter school) that receives from a State agency any Federal grant, State grant or State aid funds to carry out or administer a program.

In 2003, the AICPA converted the Statement of Position (SOP) 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards (Guide for Federal Awards) into an AICPA Audit Guide of the same title. The Guide for Organizations Receiving Federal Awards provides guidance on the auditor's responsibilities when conducting a single audit or program specific audit in accordance with the Single Audit Act Amendments and OMB A-133. The Guide for Federal Awards is applicable to audits of the 2003-04 fiscal year. The May 2003 AICPA Audit and Accounting Guide Audits of State and Local Governments – GASB 34 Edition includes illustrative audit reports on basic financial statements, applicable for GASB 34 model financial statements. Auditors should refer also to the Guide for Federal Awards for illustrations of reports to be issued based on the circumstances of the audit. Auditors may also reference the Government Auditing Standards (the 2003 Yellow Book by the U.S. General Accounting Office for additional guidance and available at www.gao.gov.

Component Units

Government Accounting Standards Board (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 Audits of State and Local Governmental Units, GASB 34 Edition issued May 2003 (Paragraph 14.43) refers to the language used in the introductory paragraph of the illustrative auditor's report in appendix A, Example 14A.2. – "We have audited the accompanying basic financial statements of Sample County School District , a component unit of Sample County, as of and for the year ended June 30, 20X1, as listed in the table of contents ...". Charter School staff and auditors should refer to the memorandum issued by the department on December 17, 2001 for further information on component units.

Auditor Reports

The reports 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 NJOMB Circular Letter 04-04 are listed below. The references are to the AICPA Auditing and Accounting Guides – Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards (AICPA Federal Guide) or Audits of States and Local Government Units, GASB 34 Edition (AICPA State and Local Guide).

Independent Auditor's reports	Example Source Reference
Unqualified Opinion on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information and Supplementary Schedule of Expenditures of Federal Awards – Governmental Entity (GASB 34 Version)	AICPA State and Local Guide, Example 1 and AICPA Federal Guide, Example 1
Single Audit Reports	
. Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (No Reportable Instances of Noncompliance and No Material Weaknesses [No Reportable Conditions Identified])	AICPA Federal Guide, Example 2
. Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJOMB Circular Letter 98-07 (Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified])	AICPA Federal Guide, Example 3
Schedule of Findings and Questioned Costs	

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

The sample audit reports included herein are based on the assumption that no qualifications of opinion are required. The reports include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be deleted from the reports if no such findings apply. Auditors should reference the AICPA Audit Guide Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards for the appropriate language to be included if reportable conditions or material weaknesses are identified.

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

SAMPLE ONLY
(AICPA State and Local Guide, Example 1 and AICPA Federal Guide, Example 1

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION

Independent Auditor's Report

The Honorable President and
Members of the Board of Trustees
_____Charter School
County of _____
_____, New Jersey

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 20__ on our consideration of the _____ Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of our audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the _____ Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

_____
Licensed Public School Accountant
No._____
Firm Name

Date

SAMPLE ONLY
(AICPA Federal Guide, Example 2)

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(No reportable instances of noncompliance and no material weaknesses [no reportable conditions identified])

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

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

Compliance

As part of obtaining reasonable assurance about whether the _____ Board of Trustee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey (However, we noted certain immaterial instances of noncompliance that we have reported to the Board of Trustees of the _____ School in the separate *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated _____, 20__.)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the _____ Board of Trustees internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no

matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted certain matters involving internal control that we have reported to the Board of Trustees of the _____ School in a separate *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated _____, 20__.)
This report is intended for the information of the management of the audit committee, management, the _____ Board of Trustees, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Licensed Public School Accountant
No._____
Firm Name

Date

SAMPLE ONLY
AICPA Federal Guide Example 3)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04
(Unqualified opinion on compliance and no material weaknesses [no reportable conditions identified])

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 4-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the _____ Board of Trustees compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of _____ Board of Trustees compliance with those requirements.

In our opinion, the Board of Trustees of the _____ School, in the County of _____, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20__. (However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items *(List*

related finding reference number, i.e. 20X1-1, 20X1-2, etc..)[Omit the last sentence if no such instances of noncompliance are identified in the schedule of findings and questioned costs].

Internal Control Over Compliance

The management of the Board of Trustees of the _____ School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered _____ Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Licensed Public School Accountant
No._____
Firm Name

Date

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

SECTION III – REPORTING
CHAPTER 3 – FOOTNOTE DISCLOSURES

Disclosure

A governmental entity's reports and statements, both financial and operational 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 the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units and Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards for guidance on materiality. The AICPA issued a revised Audit and Accounting Guide (GASB 34 Edition) in May 2003 which should be referenced for updated guidance on materiality in relation to audits of GASB 34 statements. This Guide specifies that auditor reporting on governmental financial statements should be based on opinion units. The Guide is effective for audits of financial statements for the first fiscal period ending after June 15, 2003, in which the charter school does apply, or is required to apply, the provisions of GASB Statements No. 34.

The following footnotes 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 supplement the sample notes reflected in the Sample CAFR on the NJSCPA website. These notes are frequently omitted from the charter school CAFRs filed annually with the Department of Education. The sample footnotes presented in this section are not intended to be a boilerplate and should be included **only** if they apply to that charter school's CAFR. Additional information and samples of the same 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, ASBO International Self-Evaluation Worksheet, etc. Included at the end of each sample footnote is the source of reference (i.e. GASB Codification Section, etc.)

GASB 34 model - Information on additional disclosures for capital assets and long-term debt is available on the DOE Finance/GASB 34 website **http://www.state.nj.us/njded/finance/fp/gasb34/.** Charter school staff and auditors should reference GASB 38, Certain Financial Statement Note Disclosures, for further guidance on financial statement disclosures. The following excerpt from GASB 34, paragraph 144 is to be followed by those charter schools implementing GASB 34.

"Adjustments to governmental, proprietary, and fiduciary funds resulting from a change to comply with this Statement should be treated as adjustments of prior periods, and financial statements presented for the periods affected should be restated. If restatement of the financial statements for prior periods is not

practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning fund balance or fund net assets, as appropriate, for the earliest period restated (generally, the current period). In the first period that this statement is applied, the financial statements should disclose the nature of the restatement and its effect." (GASB 34, paragraph 144)

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

Any Charter School
Notes to Schedules of Expenditures of Award and Financial Assistance
June 30, 20XX

NOTE 1. GENERAL

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

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE 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 expenditures have been made (GASB 34).

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

	Federal	**State**	**Total**
General Fund	**$**	**$**	**$**
Special Revenue Fund			
Food Service Fund	_____	_____	_____

Total Awards & Financial Assistance $_____ $_____ _____

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

Loan Program Title	Federal CFDA Number	Amount Outstanding
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 Charter School for the year ended June 30, 20XX. 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, 20XX.

FINANCIAL STATEMENT DISCLOSURES – OVERVIEW AND SAMPLE NOTES

Please note that the sample notes included in this section are not intended to be all inclusive. A more extensive sample for pre-GASB 34 disclosures can be found at: http://www.njscpa.org/business/cafr-9.doc. Auditors and charter school staff need to update their note disclosures for GASB 34 reporting. Categories of disclosures affected by GASB 34 and GASB 38 are indicated below with the paragraph of the Statement noted. Illustrative disclosures are in both 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/gasb34/.

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

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

Capital Assets – GASB 34, par. 116-118

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

Short-term Debt – GASB 38, par. 12

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

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

Interfund Balances and Transfers – GASB 38, par. 14

Auditors should 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.

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. Encumbrance accounting is 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	$ 7,983,528
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	(553,478)	(347,560)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	$ 22,547,952	$ 7,614,762
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 24,209,664	$ 7,983,528
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 supplied for financial reporting purposes.		(21,206)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		

Net transfers (outflows) to general fund.		(2,668,125)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	$ 24,209,664	$ 5,294,197

Auditor's Note – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2003-04 charter school CAFR. The data In this note is obtained from the NJ CAFR, June 30, 2003.

NOTE X. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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. As of June 30, 2003, there were 61,549 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of 1% of the active State payroll.

In accordance with P.L. 2002, c.11, which allowed the State to use available reserves in the Post-Retirement Medical Reserve Funds to cover required pay-as-you-go medical premiums, the State did not make a contribution to the PERS and TPAF in Fiscal Year 2003 toward the cost of post-retirement medical benefits. This legislation also suspends in Fiscal Years 2002 and 2003 the additional post-retirement medical contribution to increase the fund balance by one half of one percent of active member salaries for the valuation period. State law provides that post-retirement medical contributions resume in Fiscal Year 2004 and will be computed to provide an increase in the reserve fund of three fifths of one percent of active member salaries for the valuation period.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2003, the State paid $57.9 million toward Chapter 126 benefits for 8,362 eligible retired members.

(GASB Cod. Sec. 2300.107(v))

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

NOTE X. DEFERRED COMPENSATION

The board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

(List Plan Administrators Here)

(GASB Cod. Sec. 2300.107u))

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

NOTE *X.* COMPENSATED ABSENCES

The 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.

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

The liability for vested compensated absences of the governmental fund types is recorded (*in the general long-term debt account group or as current and long-term liabilities)* . The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

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

(GASB Cod. Sec.1600.119, C60))

NOTE *X.* RISK MANAGEMENT

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

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2003-2004				
2002-2003				
2001-2002				

(GASB Cod. Sec. 2300.107(a))

NOTE X. INTERFUND RECEIVABLES AND PAYABLES.

The following interfund balances remained on the balance sheet at June 30, 20__:

Fund	Interfund Receivable	Interfund Payable
General Fund	$	$
Special Revenue Fund		
Capital Projects Fund		
Enterprise Fund		
Trust and Agency Fund	_____	_____

GASB Cod. Sec. 2300.106(p)(o))

Auditor's Note - GASB Statement No. 38, paragraph 14 and 15 provide revisions to the disclosures for Interfund Balances and Transfers. Charter School staff and auditors should refer to that statement for further Discussion. GASB 38 is effective in the year the charter school is required to implement GASB 34.

NOTE *X.* FUND BALANCE APPROPRIATED

General Fund – of the $_____ General Fund balance at June 30, 200X, $_____ is reserved for encumbrances.

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

Auditors' Management Report on Administrative Findings

The Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance (Auditors' Management Report), is the auditors' report to the board of trustees of their findings and recommendations as a result of the audit. It is a report that is issued separately from the CAFR and has the same due date for submission of November 5, 2004. Refer to Section III-1.6 on "Reporting Errors" for further discussion.

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

This program provides a sample of the Auditors' Management Report. **It is not meant to be a boilerplate and should be adapted to the circumstances of the individual charter school audit.**

The standard format of the Auditor's Management Report includes the following sections:

A. Table of Contents
B. Report of Independent Auditors
C. Comments , Findings and Recommendations
D. Schedule of Meal Count Activity
E. Schedule of Audited Enrollments.

A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.

B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample provided in this program may be expanded to include an opinion on the report if that is the individual firm's policy. Either format would be acceptable by the Department of Education. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditors' reports included in the CAFR.

C. The Comments, Findings and Recommendations section includes both general comments that are required for all charter schools regardless as to whether there is an accompanying recommendation and other items noted during the audit that require comments and

recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the charter school's CAFR. The comments and recommendations must be specific under the following applicable headings:

1. Administrative Practices and Procedures
2. Financial Planning, Accounting and Reporting
3. School Purchasing Programs
4. School Food Service
5. Student Body Activities
6. School Register
7. Enrollment system
8. Audit Miscellaneous
9. Follow-up on prior year findings

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

The comments must include discussion on the following:

Advertisement for bids in accordance with statutory requirements. A general statement that bids were advertised where required, with all exceptions listed is satisfactory. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should be quoted.

Fire Insurance Coverage

Surety Bonds as to Adequacy (see Note and table below)

Examination of Claims

A certification that the charter school charged no tuition for any student attending the charter school and all proceeds for a before/after school program were accounted for in an Enterprise Fund.

Salary Accounts

A certification that encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

A certification that charter school funds were provided and expended in the proper GAAP account /code and in accordance with the Charter School Budget Key Summary based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.

Whether the charter school has accurately completed its requests for social security reimbursement for TPAF members.

The condition of the records, with both positive and negative findings for:

A. Athletic Association
B. Food Services
C. Student Activity Funds
D. Secretary and Treasurer status reports - monthly reporting of budget versus actuals, cash reports and cash reconciliations
E. General Fixed (Capital) Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in N.J.A.C.6A:23-2.5. In fixing the minimum bond, the nearest even $1,000 shall be used.

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

Per N.J.A.C.6A:23-2.5(c) "The independent school auditor shall verify the adequacy of the treasurer's surety bond which is required by N.J.S.A. 18A:17-32, and shall include appropriate comment, and a recommendation, if needed, in the annual school audit report."

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

The Schedule of Meal Count Activity documents the number of meals claimed for reimbursement under federal subsidy programs in comparison to the number of meals verified during the audit. The schedule calculates an (over)under claim based on the differences between the counts and the rates effective for the year. A finding and recommendation should be included for any differences noted.

The Schedule of Audited Enrollments provides a summary of the results of the audit testing of the School Register and submission of enrollment counts to the department. It documents the information reported on the submission to the department in comparison to the charter school register. A finding and a recommendation should be included for any differences noted. Additionally, any major deviations from procedures on student record keeping must be noted (i.e. dropping/reporting of students after a consecutive 10 day absence).

As a reminder, Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the condition (what is), criteria (what should be), effect (the difference between what is and what should be), cause (why it happened), and recommendation. When repeating the findings in the Auditors'

Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditors' Management Report. USOMB Circular A-133 (Section .510) states specific requirements on the reporting of audit findings in the schedule of findings and questioned costs. Auditors should reference this section in the cases where a federal single audit of the charter school is necessary.

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 each charter school." This statute applies to the Auditors' Management Report filed with the Department of Education. All findings must be included in that report of the audit. A separate report to the board outlining findings not included in the report of the audit is considered a violation of this statute. 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 that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion.

AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
(for charter schools)

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TAX IDENTIFICATION NUMBER:_____

SCHEDULE OF AUDITED ENROLLMENTS

ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 1, 2003

	1						2	2a.		2b.		3	3a.	
	Submission to	Sample												
Grades	DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed&/ or Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	250	75	75	0	75	0	5	5	1	5	0	7	7	1
One	125	25	25	1	25	0	1	Verified	1	1	0	5	5	0
Two	125	25	25	0	25	0	0	0	0	0	1	5	5	0
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	500	125	125	1		0	6	5	2	6	1	17	17	1
Percentage				0.8%		0.0%			33.3%		16.7%			5.9%

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 25%=125 students ensuring that all student records are audited by the fourth count sample.
Example: Sample size for each count: count 1 = 125, count 2 = 125, count 3 = 125 and count 4 = 125. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the four counts, therefore 500 different students should be tested.
In accordance with Charter School Code 6A:11-7.2(j)1,4:
The June enrollment count is based on signed registration forms;therefore, the audit of the first count will be a verification of the enrollment submission to the department to signed registration forms.
The next three counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
2a. Verify classification to the students IEP.
2b. Verify the number of days that services were provided.
3. Of the sample selected, the students identified as low income.
3a. Verify free lunch application &/or documentation from the charter/district.

Date Issued 6/02

SCHEDULE OF AUDITED ENROLLMENTS

ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2003

	1						2	2a.		2b.		3	3a.	
	Submission to	Sample												
Grades	DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed&/ or Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	250	75	75	2	75	0	1	1	0	1	0	4	4	1
One	125	25	25	0	25	1	0	0	0	0	0	3	3	0
Two	125	25	25	0	25	0	0	0	0	0	0	1	1	0
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	500	125	125	1	1	1	1	1	0	1	0	8	8	1
Percentage				0.8%		0.8%			0.0%		0.0%			12.5%

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 25%=125 students ensuring that all student records are audited by the fourth count sample.
Example: Sample size for each count: count 1 = 125, count 2 = 125, count 3 = 125 and count 4 = 125. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the four counts, therefore 500 different students should be tested.
In accordance with Charter School Code 6A:11-7.2(j)1,4:
The June enrollment count is based on signed registration forms;therefore, the audit of the first count will be a verification of the enrollment submission to the department to signed registration forms.
The next three counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
2a. Verify classification to the students IEP.
2b. Verify the number of days that services were provided.
3. Of the sample selected, the students identified as low income.
3a. Verify free lunch application &/or documentation from the charter/district.

SCHEDULE OF AUDITED ENROLLMENTS

Date Issued 6/02

ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF FEBRUARY 15, 2004

	1						2	2a.		2b.		3	3a.	
	Submission to	Sample												
Grades	DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed&/ or Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	250	75	75	2	75	0	3	3	0	3	0	8	8	1
One	125	25	25	1	25	1	5	5	1	5	0	5	5	1
Two	125	25	25	0	25	0	0	0	0	0	0	5	5	0
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	500	125	125	3		1	8	8	1	8	0	18	18	2
Percentage				2.4%		0.8%			12.5%		0.0%			11.1%

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 25%=125 students ensuring that all student records are audited by the fourth count sample.
Example: Sample size for each count: count 1 = 125, count 2 = 125, count 3 = 125 and count 4 = 125. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the four counts, therefore 500 different students should be tested.
In accordance with Charter School Code 6A:11-7.2(j)1,4:
The June enrollment count is based on signed registration forms;therefore, the audit of the first count will be a verification of the enrollment submission to the department to signed registration forms.
The next three counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
2a. Verify classification to the students IEP.
2b. Verify the number of days that services were provided.
3. Of the sample selected, the students identified as low income.
3a. Verify free lunch application &/or documentation from the charter/district.

Date Issued 6/02

SCHEDULE OF AUDITED ENROLLMENTS

ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2004

	1						2	2a.		2b.		3	3a.	
	Submission to	Sample												
Grades	DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed&/ or Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	250	75	75	0	75	0	1	1	0	1	0	8	8	1
One	125	25	25	1	25	1	0	0	0	0	0	5	5	0
Two	125	25	25	0	25	0	0	0	0	0	0	5	5	0
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	500	125	125	1	1		1	1	0	1	0	18	18	1
Percentage				0.8%		0.8%			0.0%		0.0%			5.6%

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 25%=125 students ensuring that all student records are audited by the fourth count sample.
Example: Sample size for each count: count 1 = 125, count 2 = 125, count 3 = 125 and count 4 = 125. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the four counts, therefore 500 different students should be tested.
In accordance with Charter School Code 6A:11-7.2(j)1,4:
The June enrollment count is based on signed registration forms;therefore, the audit of the first count will be a verification of the enrollment submission to the department to signed registration forms.
The next three counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
2a. Verify classification to the students IEP.
2b. Verify the number of days that services were provided.
3. Of the sample selected, the students identified as low income.
3a. Verify free lunch application &/or documentation from the charter/district.

SAMPLE ONLY

Report of Independent Auditors

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

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

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

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

Licensed Public School Accountant
No. _____
Firm Name

Date _____

(SAMPLE AMR)

Administrative Findings - Financial, Compliance and Performance

Scope of Audit

The audit covered the financial transactions of the Business office/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

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

Official Bonds

Name	Position	Amount
Anne Edwards	Business Office Manager/School Business Administrator	$10,000.00
Michael E. Leonard	Treasurer	$145,000.00

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

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school and all proceeds for a before/after school program were accounted for in an Enterprise Fund.

Financial Planning, Accounting and Reporting

Examination of Claims

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

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

All payrolls were approved by the designee in the charter school and were certified by the President of the Board and the Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Finding:
Some employees were paid in excess of their approved contract amounts.

Recommendation:
All employees should be paid in strict accordance with their approved contracts.

Reserve for Encumbrances and Accounts Payable

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

Finding:
Charter school personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the N.J.A.C. 6A:23-2.2(g) and line item details as described in the Budget Summary Key as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 1.90% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding:
During our test of transactions it was noted that the charter school misclassified and misbudgeted professional development costs for non-instructional staff as Instructional Purchased

Professional/Technical Services (line 45). The expenditure and related appropriation was reclassified to Administrative Costs - Purchased Professional/Technical Services (line 55) for financial statement presentation purposes.

Recommendation:
Charter school personnel should reference Charter School Budget Key Summary and other available reference materials, such as The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools to be in compliance with N.J.A.C. 6A:23-2.2(g)

Finding:
The expenditure for substitute teacher salaries was not charged to the appropriate line item account in accordance with The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools. The amount was reclassified for financial statement presentation, resulting in a deficit in the proper line item account.

Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed the following items.

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

Recommendation:
Bids received should be summarized in the minutes of the Board.

Finding:
Acknowledgment of the Board's receipt (non-receipt) of the monthly financial reports was not included in the minutes.

Recommendation:
The Board should acknowledge in the minutes receipt (non-receipt) of the monthly financial reports.

Finding:
Budget appropriations were greater than realized revenues and board authorized use of surplus. The Business Office was aware of the revenue shortfall at least six months prior to the fiscal year end, but did not request that the Board make corresponding adjustments and or/appropriate surplus in order to balance the budget.

Recommendation:
In the event of a shortfall in budgeted revenues, the Business Office should request that the Board adjust appropriations and/or make appropriations of surplus in order to balance the budget.

Finding:
Several budgetary line accounts were overexpended during the fiscal year and at June 30 (N.J.A.C. 6A:23-2.11).

Recommendations:
Approved budgetary line accounts should not be overexpended. The Business Office should not approve the issuance of purchase orders, which would cause an overexpenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

The Business Office should a file monthly line item status, which are consistent with the actual budgetary records.

Finding:
Payments were made prior to the receipt of goods.

Recommendation:
Payment should not be made until the receipt of goods.

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

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

Finding
The Charter school is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining Federal funding for special education services.

Recommendation: The Charter school should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining Federal reimbursement for special education services.

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Finding:
The Treasurer did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (N.J.S.A. 18A:17-36).

Recommendation:
Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:
Not all cash receipts were promptly deposited.

Recommendation:
The Treasurer should promptly deposit all cash receipts.

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

Recommendation:
The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Business Office.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

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

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

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

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

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

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

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

Other Special Federal and/or State Projects

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

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

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

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

I.D.E.A. Part B

Finding:
Separate accounting was not maintained for each approved project.

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

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

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

T.P.A.F. Reimbursement

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

School Purchasing Programs

Contacts and Agreements Requiring Advertisement for Bids

Note: Effective April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L.1999, c.440 (originally known as Assembly bill No. 3519). The Department of Community Affairs is

promulgating the draft rules, with consultation from the Commissioner of Education. Information on the changes, the statute, and school contracts in general is available on the website http://www.state.nj.us/njded/pscl/index.html.

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

Effective April 17, 2000 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are $17,500 and $12,800 respectively.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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

Finding:
A Widget computer costing $18,000.00, not manufactured in the United States, was purchased even though bids submitted for American made computers met the specifications (N.J.S.A. 18A:18A-20, amended). (Serial No. XXXX)

Recommendation:
American goods and products should be used where possible.

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

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

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

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

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

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

School Food Service

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

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

Finding:
Food Service accounting records maintained by the Charter School's administration office did not agree with the records maintained by the Food Service Director.

Recommendation:
The Charter School should establish procedures that will reconcile the food service director's records and the food service records maintained by the central administration office.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed.

Finding:
Reimbursement vouchers were not timely filed, and meals claimed did not agree with meal count records resulting in an overclaim, as detailed on the Schedule of Meal Activity (See Section II-50).

Recommendation:
Prior to submitting reimbursement vouchers to the N.J. Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

Applications for free and reduced price meals were reviewed for completeness and accuracy (note any exceptions). The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. Sites approved to participate in Provisions complied with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

Findings:
A number of exceptions were noted regarding free and reduced price lunch applications. Applications were not properly completed; household income was not properly applied when determining free and reduced price and several applications were not available for audit.

Recommendation:
The free and reduced applications/documentation should be properly determined, completed as required and available for audit.

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

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

Finding:
The Charter School's food service receipts were not deposited promptly and supporting documentation did not reconcile with the amounts deposited.

Recommendation:
The Charter School's food service receipts should be deposited promptly and intact. Amounts deposited should reconcile to the supporting documentation.

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

The cash disbursements records reflected expenditures for program related goods and services (note any exceptions). Charter schools with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate

revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Food Distribution Program. commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Auditor's Note: The AICPA Statement of Position 98-3, section 5.13 defines food commodities as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by charter schools must be reflected as revenue and expenditures, respectively, in the Schedule of Expenditures of Federal Awards.

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

In accordance with AICPA Statement of Auditing Standards (SAS) #70, as amended by SAS 88 (effective February, 2000), auditors must obtain an understanding of internal controls placed in service by service organizations whose services are part of the entity's information system. Food service management companies must have a service audit performed by an independent audit firm engaged by the food service management company. This service audit must report on the food service management company's control structure policies and procedures. It is the responsibility of the charter school management to award contracts to a food service management company only if such a service audit report has been issued. The requirement for provision of the SAS 70, as amended by SAS 88, report has been incorporated into the standard Food Service Management Company Contract. If the charter school is unable to provide such a service audit to the local charter school auditor, a negative finding and recommendation must be included in the Auditors' Management Report.

Student Body Activities

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

Finding:
The Board had no policy, which clearly established the regulation of student activity funds.

Recommendation:
The Board should approve a policy establishing the regulation of student activity funds.

Finding:
Not all cash receipts were promptly deposited.

Recommendation:
All cash receipts should be promptly deposited.

Finding:
Not all cash disbursements had proper supporting documentation.

Recommendation:
Proper supporting documentation should be maintained for all cash disbursements.

Enrollment counts and submissions to the Department

Our audit procedures included a test of enrollment information reported on the June 1st, October 15, February 15, and the last day of school for on-roll, special education, bilingual and low-income.

Finding:
The charter school had no written procedures for the proper maintenance and recording of student enrollment data.

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

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

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

Finding:
There were two instances where a student enrolled in the charter school was not in attendance for 10 days and was not dropped from the charter school's register until 20 days after the last known day of attendance. According to the Department's school register instructions, the charter school's responsibility is to ensure the attendance of those students enrolled in their school. A student who has been absent 10 days for an unknown reason must be reported as a dropout. If the student is reported as a dropout, the charter school must immediately notify the school district of residence in writing of this condition on the 10th day.

Recommendation:

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

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior ear findings with the exception of the following, which is repeated in this year's recommendations:

Approved budgetary line accounts should not be overexpended.

(If there were no prior year findings, indicate "Not Applicable" in this section. Do not omit the section.)

Acknowledgment

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

SCHEDULE OF MEAL COUNT ACTIVITY

ANYTOWN CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 200X

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	300,000	296,000	(4,000)	.25	$(1,000)
	Reduced	50,000	48,600	(1,400)	1.89	(2,646
	Free	5,820	5,000	(820)	2.29	(1.878)
	TOTAL	355,820	349,600	(6,220)		$(5,523.80)
School Breakfast (Regular Rate)	Paid	125	125	-0-	.32	$-0-
	Reduced	300	360	60	1.00	60.00
	Free	3,868	3,808	(60)	1.32	(78.00)
	TOTAL	4,293	4,293	-0-		$(18.000)
Special Milk	Paid	2,500	2,500	-0-	.13	$-0-
	Free	7,500	7,500	-0-	Average Cost	-0-
	TOTAL	10,000	10,000	-0-		$-0-
After School Snacks	*Paid*	350	350	-0-	.05	-0-
	Reduced	0	0	0	.30	0
	Free(Area Eligible)	475	501	26	.60	15.608
	TOTAL	825	851	26		$15.60
TOTAL NET OVERCLAIM						$(5,526.20)

(a) Reimbursement rates are subject to annual change. **Rates indicated here are for illustrative purposes only**. See appropriate rates in Section II, Chapter 50 - Child Nutrition Program Requirements.

(b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

SECTION III - REPORTING
CHAPTER 5 - AUDIT SUMMARY WORKSHEET DISKETTE

All charter schools are required to have their auditor complete and submit the Audit Summary (Audsum) Worksheet(s) computer diskette with the CAFR. The charter school is also responsible for the transmission of the audsum data to the NJ Department of Education via the DOENET. This information is used by the Department of Education for various reporting and analytical purposes. **The board secretary/business administrator is responsible for carefully reviewing the reports generated by the diskette and signing off on the transmittal letter as to the accuracy of the information.** As in prior years, the information from the Audsum diskette will be downloaded into the actual column of the EDC budget tool issued by the department. Charter schools cannot access and revise this data via the budget program. Corrections can only be made through the submission of a revised Audsum diskette by the auditor and a new letter of transmittal signed by both the auditor and the charter school. Revised CAFR pages must also be submitted, if applicable. **Both auditors and charter school personnel are warned to pay particular attention to the accuracy of the data submitted to avoid having to resubmit the data!**

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

Audit reports **will be considered incomplete** until the required audit summary worksheet diskettes are received by the statutory deadline. Please note that Charter School boards will be notified in writing of any changes made to the method of transmittal of the Audsum diskette.

Transfer of Capital Project Fund surplus

When specifically approved by the Commissioner, charter schools may transfer surplus from the general fund to the Capital Projects fund. Such transfers should be shown in the CAFR as an operating transfer with the appropriate disclosure made in the notes to the financial statements. When reporting on the Audsum diskette, the restated balances after the transfer should be reported as the July 1 balances.

In the first year of operations for a charter school, there may be expenses for the first 6 months prior to the fiscal year, which could include start up costs. Therefore, there are two audit summary worksheets to be completed. The first should include all revenues and expenditures realized from the award of the Charter School to the start of the 12-month school year (i.e. January 15, 2003 thru June 30, 2003). Do not include enrollment data. Fund Balances may be generated and carried over as a beginning fund balance (line 6) of the Preliminary Audit Summary for 2003-04 – 12 Month Period. Indicate at the top of the column the dates covering the start up period. If the charter school did not realize revenues or expenditures for this start up period, please submit the form to the department and note this on the document. For the twelve-month fiscal year, include all revenues and expenditures realized from the start of the 12-month school year to the end of the school's fiscal year (i.e. July 1, 2003 thru June 30, 2004) Include year-end enrollment data.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

TO BE COMPLETED BY BUSINESS ADMINISTRATOR

Three checklists (Current Operating Funds, Student Activity Fund, and Food Service Fund) of actions to be performed or documents to have available in advance of the audit are provided here to assist business administrators in preparing for the year end audit. These checklists may be modified by the audit firm to incorporate additional documents as needed.

CHECKLIST FOR ANNUAL AUDIT
CURRENT OPERATING FUNDS _____
NAME OF SCHOOL

SCHOOL YEAR 2003-04

( ) 1. Copy of final budget approved by the board of trustees, including supporting documents and statements and any attachments.

( ) 2. The entries in the financial records of the Board Secretary and the Treasurer of school moneys must be up-to-date and balances reconciled.
   a. Complete all posting and closing entries for all financial records, including the net payroll account and payroll agency accounts as of June 30, 2004.
   b. All adjusting entries must be made as of June 30 to reflect the accounting records on a modified accrual basis. See the GASB 34 Implementation section after # 40 for information for the accrual basis.
   c. All entries in the Athletic Association records must be up-to-date and records must be balanced.

( ) 3. Complete Comprehensive Annual Financial Report (CAFR) as of fiscal year-end.

( ) 4 Trial balance reflecting adjusting and closing entries as of fiscal year-end, as support for the CAFR.

( ) 5 All books and records of the business office including but not limited to:

   a. General Journal for FY 2003-04
   b. Special Purpose Journals for FY 2003-04
   c. General Ledgers for FY 2003-04
   d. Revenue Subsidiary Ledgers for FY 2003-04
   e. Expenditure Subsidiary Ledgers for FY 2003-04
   f. Chart of Accounts for FY 2003-04

( ) 6. All purchase orders for the year.
   a. Analyses of open purchase orders at June 30, 2004.
   b. Separate lists must be prepared for those orders representing accounts payable at June 30th and those orders that will be liquidated and paid in the subsequent fiscal years.
   c. The total of these lists should agree with the June 30th general ledger balances for accounts payable and reserve for encumbrances., respectively

( ) 7 Monthly reconciliations of all checking accounts must be prepared and available. Bank statements for 13 months, including related canceled checks, debit and credit memos, returned by the bank and duplicate deposit tickets for the period July 1, 2003 through July 31, 2004

( ) 8 Monthly reconciliations of all checking accounts.

( ) 9 Bank Statements for 13 months, including related canceled checks, debit and credit memos, returned by the bank and duplicate deposit tickets for the period July 1, 2003 through July 31 , 2004.

( ) 10 All cash on hand including the petty cash fund, must be deposited in the bank depository by June 30, 2004.

( ) 11 List of Investments, if any, outstanding as of fiscal year-end.

( ) 12 Copies of all applications, third party contracts (when applicable), revenue verification notices, all approved budgets and budget modifications in connection with State and Federal Aid, including information on all approved special programs or projects.

( ) 13 Monthly statutory financial statements of the Secretary (Form A-148) and Treasurer (A-149) per *N.J.S.A.* 18A:17-9 and 36.

( ) 14. Minutes of board meetings, which should be reviewed prior to the audit to determine whether the proceedings are complete and properly signed. In connection with Board action, were the following subject matters recorded in the minutes?

Full spread of the adopted detailed budget
N.J.S.A. 18A:22-8
Board resolutions and full detail of Budget Transfers of line items with the budget or from surplus.
N.J.S.A. 18A:22-8.1
Organization Meeting
N.J.S.A. 18A:10-5
Establishment of Petty Cash Fund
N.J.S.A. 18A:19-13, N.J.A.C. 6:23-2A.9
Official Depositories
N.J.S.A. 18A:17-34
Official Newspaper Designated
N.J.S.A. 18A:18A-21

Bill or Voucher List
N.J.S.A. 18A:19-4
Change Orders on Awarded Contracts
N.J.A.C. 6A:23-7.1
Authorizations for Advertisement of Bids
N.J.S.A. 18A:18A-21
Summary of Bids Received
N.J.S.A. 18A:18A-21
Award of Contracts Bid
N.J.S.A.18A:18A-36,37; NJ.S.A.18A:18A-3,4,
Designation of EUS
N.J.S.A. 18A:18A-5 and N.J.S.A.18A:18A-37
Designation of Qualified Purchasing Agent
N.J.S.A.18A:18A-3
Authorization of Competitive Contracting Process
N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5
Payment of Emergency Contracts
N.J.S.A. 18A:18A-7
Capital Improvement Authorizations, Proposals and/or Adoptions
N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39
Monthly Financial Report of the Treasurer of School Moneys (Form A-149)
N.J.S.A. 18A:17-36
Monthly Financial Report of the Secretary (Form A-148)
N.J.S.A. 18A:17-9
Investments-Authorization, Purchase and Recording
N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38
Reading and discussion of recommendations of the Annual Report of Audit
N.J.S.A. 18A:23-5
Applicable Resolutions of Cancellations
Establishment of Capital Reserve Fund
N.J.S.A. 18A:7G-31
Transfers to the Capital Reserve Fund of undesignated general fund balance or excess undesignated general fund balance.
N.J.S.A. 18A:7G-31

( ) 15. All vouchers, properly documented, and purchase orders should be available for inspection and review. The Business Administrator should be certain that all paid claims have been properly approved for payment, recorded in the minutes, and that affidavits or declarations have been completed on those exceeding one hundred fifty dollars (N.J.S.A. 18A: 19-3).

( ) 16 A separate file including copies of all legal advertisements, such as the adopted budget, requests for bids, and resolutions awarding contracts or agreements for professional services.

( ) 17 All contracts, agreements, leases, and bids received in connection with the advertising referred to above. Contracts, which the board of trustees has entered into with the State Division of Purchase and Property in the purchase of materials, supplies or equipment for the charter school, must be available for review by the charter school auditor.

( ) 18 A schedule of all insurance coverage and fidelity bond coverage in effect during the year, and the related policies or continuation certificates on hand.

( ) 19 All employee contracts and a schedule of board approved salaries

( ) 20. An analysis of any balance in the net payroll or payroll agency account.

( ) 21. Monthly and quarterly remittance returns for all payroll agencies.

( ) 22 All paid and voided warrants and payroll checks, together with the bank statements on which they are listed, arranged in order by month. Certified and approved payroll registers in chronological order.

( ) 23. Schedule of the amounts reimbursed by the state for the current year FICA employer contribution for its TPAF members on an accrual basis.

( ) 24. Analysis for each balance sheet account balance as of fiscal year-end not listed above.

( ) 25. A schedule of all cash or in-kind contributions and donations, including donor, amount and disclosure of related parties, if applicable

( ) 26. A schedule of all loans, including amount, terms and disclosure of related parties, if applicable

( ) 27 Copies of all FY 04 charter school aid payment schedules (June 2003; Oct. 15, 2003; Feb. 15, 2004; Last day of School)

( ) 28 Summary Schedule of Prior Audit Findings prepared in accordance with USOMB Circular A-133 section .315, if applicable.
   a. Corrective Action Plan which was submitted to the county superintendent.
   b. Copy of charter school certification to the county superintendent that all corrective actions of prior year has been taken.

( ) 29. The Treasurer of School Moneys should have his or her records in order and available during the course of the audit.

( ) 30 Analysis of the miscellaneous income account including a schedule of receivables for miscellaneous income.

( ) 31 Copy of any audit or compliance report received from oversight or regulatory agencies during the current year.

( ) 32 Special Education Medicaid Initiative (SEMI) – refer to SEMI Provider Handbook and other correspondence form the NJ Department of the Treasury
   a. Parental consent forms.
   b. Documentation to verify that a service was provided on a specific date.
   c. Records to indicate that a pupil either has a current IEP that specifies the services or was referred for evaluation.
   d. Records which specify the practitioner providing the related service. The record should be adequate to verify that the service was provided to the pupil by a specific practitioner on a specific date.

GASB 34 – Items required for GASB 34 financial reporting

( ) 1. Capital asset schedules, including the following detail:
   a. Date placed in service.
   b. Cost/basis.
   c. Beginning of the year balance – accumulated depreciation.
   d. Current year depreciation
   e. Ending balance – accumulated depreciation.
   f. Classification of the asset (e.g. land, building, equipment).
   g. Method of depreciation (e.g. straight line).
   h. Useful life of each asset used in computing the depreciation. Charter Schools may refer to the standard useful life table on the following page for guidance on useful life of each asset. Charter Schools are not required to utilize the standard useful lives suggested but should develop a policy appropriate for the district use.
      "This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for Charter Schools and is reprinted with permission of the Association of School Business Officials International at http://www.asbointl.org.
   i. Identification by program.

   If the asset is specifically identifiable to a program (see the lines used in the Statement of activities), then that program should be noted and depreciation should be charged to that program. If not, there should be an indication that it is not specifically identifiable. The assets should be in one of two categories based on how each asset is used – 1) governmental fund or 2)business-like activity (enterprise fund).

( ) 2. Schedule of long-term liabilities for the following each category of debt – capital leases, compensated absences, other – (specify):
   a. Beginning of year balance
   b. Additions
   c. Reductions
   d. End of year balance
   e. Amount due within one year

( ) 3. Schedule of interest accrued on long-term debt.

( ) 4. Trust documents (trust instruments or letter specifying restrictions) which support classification as either a permanent trust or private purpose trusts (e.g. scholarships).

( ) 5. Worksheet for converting from governmental fund balances to net assets.

Table 4.1

Asset Class	Examples	Est. Useful Life in Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalk, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation and air-conditioning system	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, etc.	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equipments	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletics Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string bass percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10

"This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for School Districts and is reprinted with permission of the Association of School Business Officials International: www.asbointl.org".

CHECKLIST FOR ANNUAL AUDIT
STUDENT ACTIVITY FUND

_____
(NAME OF SCHOOL)

SCHOOL YEAR 2003-04

		COMMENTS
( ) 1.	Monthly bank reconciliations of all checking accounts: Bank statements for 13 months, including related canceled checks returned by the bank and duplicate deposit slips for the period July 1, 2003 through July 31, 2004.	_____
( ) 2.	Cash Receipts and Cash Disbursements Journal.	_____
( ) 3.	General Ledger of School Accounts.	_____
( ) 4.	Paid and unpaid Invoices and Payment Forms covering School Year.	_____
( ) 5.	Savings Account Pass Books or Certificates, including interest credited to fiscal year-end.	_____
( ) 6.	Petty Cash Fund (including unreimbursed invoices) and School Change Fund, if applicable.	_____
( ) 7.	Prenumbered receipts for the period July 1, 2003 through July 31, 2004.	_____
( ) 8.	Copy of Annual Cumulative Report of Cash Receipts, Cash Disbursements and Balances at fiscal year-end, including completion of bank reconciliation at fiscal year-end.	_____
( ) 9.	Records, bills, orders and other supporting documentation of the Student Activity Accounts.	_____
( ) 10.	All entries in the Student Activity Account records must be up-to-date and records must be balanced.	_____
( ) 11.	Copies of board resolutions approving each fund.	_____
( ) 12	Schedule of accounts receivable and accounts payable.	_____

CHECKLIST FOR ANNUAL AUDIT
FOOD SERVICE FUND

_____
(NAME OF SCHOOL)

SCHOOL YEAR 2003-04

( ) 1. Monthly bank reconciliations of all checking accounts.
Bank Statements for 13 months, including related canceled checks, returned by the bank and duplicate deposit slips for the period July 1, 2003 through July 31, 2004.

( ) 2. Cash Receipts and Cash Disbursements Journal.

( ) 3. General Ledger.

( ) 4. Paid invoices and unpaid invoices applicable to the school year.

( ) 5. Savings Account Pass Books or Certificates, including interest credited to fiscal year-end.

( ) 6. Petty Cash Fund (including unreimbursed invoices) and School Change Fund, if applicable.

( ) 7. Prenumbered receipts or billings for the period July 1, 2003 through July 31, 2004 for special affairs.

( ) 8. Daily Cash Register tapes, properly identified, and daily cashier reports, indicating reconciliation to deposit.

( ) 9. Reimbursement vouchers filed and schedule of claims receivable as of fiscal year-end.

( ) 10. Copies of advertisements for bids, and copies of such bids awarded.

( ) 11. Schedule of any receivables or payables as of fiscal year-end.

( ) 12. Schedule of closing inventory of food and supplies.

( ) 13. Copy of Annual Cafeteria Managers' Report of Operation for the school year.

( ) 14. Agreement for School Nutrition Programs dated, signed by authorized representative and approved by New Jersey State Department of Education/Agriculture Officials.

( ) 15. Eligibility documents for free and reduced price meals.

( ) 16. Meal count records, Edit Check Worksheets and/or daily summary sheets of number and type of meals served.

( ) 17. Food Service Management Company contract (if applicable).

( ) 18. Paid invoices to Food Service Management Company with fully itemized and verified bills (if applicable).

( ) 19. Records, bills, orders and supporting documentation of the Food Service Fund.

( ) 20. All entries in the Food Service Fund records must be up-to-date and records must be balanced.

( ) 21. Food Service Management Company SAS #70/#88 report (if applicable).

NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE

A U D I T Q U E S T I O N N A I R E 2003-04
(To Be Completed by the Public School Auditor)

CHARTER SCHOOL _____ **COUNTY** _____

The Audit questionnaire is a checklist of items specific to New Jersey charter schools which auditors should include as part of the audit workpapers to support the auditor's opinion on the charter school's compliance with laws and regulations. This checklist should be signed by the auditor and kept with the auditor's workpapers and available to the department upon request.

Irregularities shown by answers given to questions must be covered by a comment and recommendation in the Auditor's Management Report.

1. Was the charter school able to demonstrate an accounting system that was maintained in accordance with Governmental GAAP and the State prescribed publication entitled GAAP for New Jersey School Districts, A Technical Systems Manual?

_____ Yes _____ No

REMARKS (Required if answer is no) _____

_____

_____

2. Were copies of the following reports completed and available for examination?

	Yes	No	Not Applicable
Treasurer's Monthly Financial Statements. (N.J.S.A. 18A:17-36) (Form A-149)	____	____	____
Secretary's Monthly Financial Report filed on a monthly basis. (N.J.S.A. 18A:17-9a) (Form A-148)	____	____	____
Was the year-end report (June 30, 2004 A-148) prepared by the secretary, passed by board resolution and reflected in the minutes of the Board of Education at the July meeting?	____	____	____
T.P.A.F. Reimbursement for June 30 – **should be submitted to NJDOE by September 30. (*N.J.S.A.*18A:66-90)**	____	____	____

REMARKS: _____

_____

_____

_____

3. Were the following Cash Reconciliations prepared monthly? If no, explain.

	Monthly		
	Yes	No	N/A
General Operating Fund	____	____	____
Capital Projects Fund	____	____	____
Net Salary Account	____	____	____
Payroll Agency Account	____	____	____
Athletic Fund	____	____	____
Food Service Fund	____	____	____
Student Activity Accounts	____	____	____
Trust Funds)	____	____	____
_____	____	____	____
_____	____	____	____
_____	____	____	____
_____	____	____	____

REMARKS: _____

_____

_____

_____

4. (A) Was the following information verified utilizing the bookkeeping records, maintained in accordance with Governmental GAAP?

	Yes	No	N/A
Rental Billings	_____	_____	_____
Rental Revenue Accounts Receivable	_____	_____	_____
Cash and In-kind Contribution revenue	_____	_____	_____
Miscellaneous Revenue	_____	_____	_____
Miscellaneous Revenue Accounts Receivable	_____	_____	_____
Accounts Payable (including liabilities due to grantor agencies)	_____	_____	_____
Outstanding Purchase Orders	_____	_____	_____
Analysis of Net Payroll Account Balances	_____	_____	_____
Analysis of Payroll Agency Account Balances	_____	_____	_____

(B) Were the Board Secretary/Business Administrator audit checklists (Operating Fund, Student Activity Fund and Food Service Fund) completed by the Board Secretary/Business Administrator and were the records ready for audit? Yes_____ No _____

Yes __ No____

REMARKS: _____

_____

_____

_____

5. Were the following revenue verification notices on hand for examination?

	Yes	No	N/A
Charter School Aid Payment Schedules	_____	_____	_____
Local Government Mandate Emergency Aid	_____	_____	_____
School Choice/Charter School Aid - Chapter 385 Laws of 1999, (Kindergarten/Abbott), if applicable	_____	_____	_____
Mini-Grants	_____	_____	_____

Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. (A) Were the minutes properly signed Yes _____ No _____

(B) Are pre-numbered pages and/or marginal notes used in the maintenance of the minutes? Yes _____ No

(C) In connection with Board action were the following subject matters recorded in the minutes?

	Yes	No	N/A
Full spread of the adopted detailed budget N.J.S.A. 18A:22-8	_____	_____	_____
Full detail of Budget Transfers N.J.S.A. 18A:22-8.1	_____	_____	_____
Organization Meeting N.J.S.A. 18A:10-5	_____	_____	_____
Establishment of Petty Cash Fund N.J.S.A. 18A:19-13, N.J.A.C. 6:20-2A.8	_____	_____	_____
Official Depositories N.J.S.A. 18A:17-34	_____	_____	_____
Legal Newspaper Designated N.J.S.A. 18A:18A-21 and N.J.S.A. 18A:14-19	_____	_____	_____
Bill or Voucher List N.J.S.A. 18A:19-4	_____	_____	_____
Change Orders on Awarded Contracts N.J.A.C. 6A:23-7.1	_____	_____	_____
Authorizations for Advertisement of Bids N.J.S.A. 18A:18A-21	_____	_____	_____
Summary of Bids Received N.J.S.A. 18A:18A-21	_____	_____	_____
Award of Contracts Bid N.J.S.A. 18A:18A-36	_____	_____	_____
Designation of EUS N.J.S.A. 18A:18A-5 and N.J.S.A. 18A:22-39			

	Yes	No	N/A
Designation of Qualified Purchasing Agent N.J.S.A.18A:18A-3	_____	_____	_____
Authorization of Competitive Contracting Process N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5	_____	_____	_____
Payment of Emergency Contracts N.J.S.A. 18A:18A-7	_____	_____	_____
Capital Improvement Authorizations, Proposals and/or Adoptions N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39	_____	_____	_____
Monthly Financial Report (Cash report, Cash reconciliation) N.J.S.A. 18A:17-36	_____	_____	_____
Monthly Financial Report (Budget vs. Actual) N.J.S.A. 18A:17-9	_____	_____	_____
Investments-Authorization, Purchase and Recording N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38	_____	_____	_____
Reading and discussion of recommendations of the Annual Report of Audit N.J.S.A. 18A:23-5	_____	_____	_____
Applicable Resolutions of Cancellations	_____	_____	_____
Auditor engagement – acknowledgement of peer review report N.J.A.C. 6A:23-2.2(i)3	_____	_____	_____

REMARKS: _____

_____

_____

_____

7. (A) Are records maintained in conformance with requirements prescribed by the state board of education per N.J.A.C. 6A:23-2.1?

Yes ____No__

(B) If an electronic data processing bookkeeping service company or educational management company is used, is an audit of the internal controls of the service company on file per N.J.A.C. 6A:23-2.7?

Yes ____No__

8. (A) Condition of Records: Comment on needed improvements in Auditor's Management Report.

	Satisfactory	Unsatisfactory
Treasurer – General	_____	_____
Cash Report, Bank Reconciliation	_____	_____

Budget vs. Actual	_____	_____
Payroll	_____	_____
Athletic Fund	_____	_____
Food Service	_____	_____
School Register	_____	_____
Student Activity Funds	_____	_____
Enrollment Submissions	_____	_____
Written Policies/Procedures for Conducting the enrollment counts	_____	_____

Other:

_____ _____ _____

_____ _____

(Add additional pages where necessary)

REMARKS:

_____

_____

_____

((B) Are the Treasurer's records maintained independently of the Board Secretary's?

Yes_____ No _____

REMARKS:

_____

_____

(C) Were records of the Treasurer and Board Secretary reconciled on a monthly basis?

Yes_____ No _____

_____

_____

(D) In your opinion, are the books and records of any official in such unsatisfactory condition that comment and recommendation is made in the Audit Report?

Yes _____ No_____

If answer is "yes", specify the officials referred to _____

9. (A) Were all payrolls approved by the charter school board of trustees and certified by the business office and President of the Board prior to issuance of salary checks?

Yes ____No__

REMARKS:

_____

_____

(B) Were bank deposits to Payroll Salary and Agency accounts detailed as to sources of Appropriations, Special Funds, Refund or Other Sources?

Yes ____No__

(C) Where outside services (computer services, educational management, etc.) are utilized, are the records adequate and do they leave an "audit trail?"

Yes ____No__

REMARKS:

_____

_____

10. (A) Is there a requisition system operative in the charter school? Yes___ No___

(B) Is there a sequential purchase order system operative in the charter school?

Yes ___ No___

(C) Comment on improvements needed to comply with the Governmental GAAP Accounting System. _____

_____

_____

(D) Are purchase orders numerically recorded in a central register?

Yes ___ No_____

(E) Is an encumbrance system utilized in accordance with Governmental GAAP?

Yes ___No___

REMARKS:

_____

_____

_____

11. (A) Are credit cards utilized by board members and employees?
Yes____ No_____

If answer is "Yes", a comment and recommendation is required.

12. Has the Board's Records Custodian adopted and made available to the public a Records Request Form (N.J.S.A. 47:1A-5(f)) (OPRA) Yes_____ No_____

13. Has the statement of rights of appeal been posted pursuant to *N.J.S.A. 47:1A-5(j)?*
Yes_____No_____

14. Were the monthly certifications of line-item appropriations and fund status filed in accordance with N.J.A.C. 6A:23-2.11 and Division of Finance Policy Bulletin 200-11?
Yes_____ No _____
(If no, appropriate comments and recommendations must be included in the annual audit report)

15. Expenditure Classification Test Results Summary

Dollar Value of Items Tested	$ _____
Dollar Value of Errors Noted	$ _____
Dollar Value Error Rate	_____%
Total Expenditures*	$ _____

_____

* General Fund and Special Revenue Fund excluding on-behalf payments for TPAF.

16. Is the charter school appropriately assisting the State in maximizing federal participation pursuant to section 7 of P.L. 1968, c.413 (C.30:4D-7)(SEMI Medicaid Program)? Consider the following:

a) Has the charter school appointed a SEMI Coordinator? Yes_____ No_____

b) Has the charter school applied for participation in the SEMI program with the Department of Education, Medicaid and DMG-MAXIMUS? _____ Yes_____No_____

c) Do the IEPs identify services which are eligible for reimbursement under the SEMI program?
_____ Yes_____No_____

d) Does the charter school have a process for capturing new students eligible for the SEMI program? _____ Yes_____ No_____

e) Does the charter school have a process for acquiring parental consent for students eligible for the SEMI program? _____ Yes_____ No_____

f) Does the charter school have a process for documenting expenditures eligible for reimbursement under the SEMI program? _____ Yes_____ No_____

g) Has the charter school been submitting Turnaround Documents for reimbursement on a monthly basis? _____ Yes_____ No_____

17 Has the charter school maintained supporting documentation for claims made for the SEMI or the Medicaid Administrative Claiming programs?

a) Are reevaluations of the students in the SEMI program performed at least annually? _____ Yes_____ No_____

b) Are parental consent forms available in the student file? Yes_____ No_____

c) Are IEPs available for claims made under the SEMI program? Yes_____ No_____

18. Are instructional expenses at least 60% of general fund expenses? N.J.A.C. .6A:11-7.3(e)?

Yes____ No____ _____

If answer is "No", a comment and recommendation is required.

19. Are all revenue data and expenditures data items in the board-approved budget correctly classified as explained in a narrative description with the budget summary in the charter school application?

Yes____ No _____

20. Does the charter school have a fully functioning board of trustees, including a President and Treasurer/Custodian of School Funds ? Yes____ No _____

21. Is the school utilizing the services of a Certified School Business Administrator who is performing all duties and responsibilities of this title? Yes ____ No ___

22. Did you verify that no voting member of the board of trustees is a paid vendor or employee of the charter school?

Yes _____No _____

23. Does the board on a monthly basis approve all expenditures?

Yes _____No _____

24. Do the president and of the Board Secretary sign all checks? Yes _____No _____

If you answered "No" to any of the above, does the auditor's management report, include comments and corresponding recommendations? Yes ____ No _____

THIS QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE OFFICE OF SCHOOL FUNDING WITH EACH REPORT OF AUDIT FOR THE FISCAL YEAR 2003-04. IT IS NOT TO BE BOUND IN THE REPORT.

_____

SIGNATURE OF PUBLIC ACCOUNTANT

SECTION III – REPORTING
CHAPTER 7 – SYNOPSIS AND CORRECTIVE ACTION PLAN

Synopsis and Hearing of Audit

N.J.S.A. 18A: 23-3 states in part that "The Commissioner annually shall publish a summary of such recommendations as made for each charter school and the steps which have been taken in each charter school for their implementation."

N.J.S.A. 18A:23-4 states " The secretary of the board shall prepare or have prepared a synopsis or summary of the annual audit and recommendations, prior to the holding of the meeting of the board to take action thereon; A copy of which synopsis or summary shall be available for distribution to interested parties at the meeting.

In order to comply with the above requirements, it is requested that the charter school management prepare the audit synopsis under the following format:

GASB 34 Model

a. Governmental Funds Balance Sheet (Exhibit B-1).
b. Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit B-2).
c. Reflect each audit recommendation under the applicable heading listed below:

1. Administrative Practices & Procedures
2. Financial Planning, Accounting & Reporting
3. School Purchasing Programs
4. School Food Service
5. Student Body Activities
6. Facilities and capital assets
7. Miscellaneous
8. Follow-up on prior year findings

c. A copy of the minutes of the board meeting at which the audit recommendations were read and discussed must be filed with the county superintendent of schools together with the synopsis within 30 days following the meeting at which the audit was discussed. **Specific board action and disposition of each audit recommendation must be duly noted in the minutes of the board. A general statement of the Board's acceptance of the audit and recommendations is NOT in compliance with N.J.S.A. 18A:23-3 and 23-4. In addition, the minutes must address the corrective actions voted by the board and a completed Corrective Action Plan must be included with the synopsis.**

The copy of the minutes, synopsis and corrective action plan will be filed with the State Department of Education by the county office after they have been reviewed for accuracy and completeness. See the end of this section for a sample Corrective Action Plan.

The charter school management must submit a certification (see sample format at end of this chapter) when all corrective actions have been fully implemented, but no later than June 30th of the subsequent fiscal year. The certification letter is to be submitted to the Office of School Funding, Division of Finance, PO Box 500, Trenton, NJ 08625-0500.

Date Issued 6/04

Sample Certification of Implementation of Corrective Action Plan
For the Fiscal Year Ended June 30, 2004

Name of Charter School_____
County_____

I hereby certify that all corrective actions listed on the Charter School's Corrective Action Plan for the fiscal year indicated above have been fully implemented with the following exceptions:

CAP
Recommendation
Number

_____(Comments)_____

_____(Comments)_____

_____ _____
Board Secretary/Business Administrator Date

_____ _____
Chief School Administrator Date

Office of School Funding
Division of Finance
P.O. Box 500
Trenton, NJ 08625-0500_____

Date issued 6/04

CORRECTIVE ACTION PLAN

NAME OF SCHOOL _____ COUNTY _____

AUDIT YEAR _____

DATE OF BOARD MEETING _____

CONTACT PERSON _____

TELEPHONE NUMBER _____

RECOMMENDATION NUMBER	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION

_____ _____

CHARTER SCHOOL LEAD PERSON Date

c: County Superintendent

ATTACH COPY OF BOARD RESOLUTION

SECTION III – REPORTING
CHAPTER 8 – QUALITY ASSESSMENT REVIEW CHECKLIST

A Quality Assessment (Control) Review will be performed at the state level on each audit. The auditor should familiarize himself/herself with the following Quality Assessment (Control) Review form. The auditor's review of this form should ensure that the audit contains sufficient information to answer the questions contained in the review, as well as eliminate time-consuming correspondence with Office of School Funding personnel in assuring compliance with Federal and State audit requirements.

CHARTER SCHOOL QUALITY ASSESSMENT REVIEW

Charter School _____

District of Residence/County _____

Audit Period _____ Date of Report _____

Date Report Received _____

Auditor Name _____ Audit Firm _____

Reviewed By _____ Date _____

Summary of Quality Assessment Review

In my opinion, the CAFR is:

[ ] Acceptable, and requires no or only minor corrections.
[ ] Substandard, and requires one or more major changes.

Comments: _____

I. Qualifications of Auditor

1. Is the audit performed by a registered municipal accountant or certified public accountant? (If answer is "Yes", mark #2 "No".) Yes _____ No _____

2. Is the audit performed by a public school accountant? (If the answer is "Yes", contact the State Board of Accountancy at 1-973-504-6463 to ascertain if licensed as both a public accountant and a public school accountant.) Yes _____ No _____

3. Is the audit report free of indications that the auditor is not independent? If not, follow up to determine if independence was impaired in appearance or in fact. Yes _____ No _____

4. Does the auditor have an external quality control review on file with the department? Yes _____ No _____

II. Financial Statements

The format of the CAFR should conform to the publication, Financial Accounting for New Jersey Charter Schools – The Audit Program and should strictly adhere to the prescribed sectioning of the report and numbering of exhibits as shown **on pages Intro 9 through 12** of The Audit Program. If a section or exhibit is not applicable to the charter school, the notation "N/A" should be indicated against that item in the Table of Contents. Exhibit numbers for any additional statements required under the circumstances should be assigned using the next available exhibit number within that series of statements/schedules.

1. Has the charter school implemented **GASB 34** for the fiscal year ending June 30, 2004? Yes____ No____

   If "No", is audit opinion qualified? Yes____ No____

1a. Is a complete table of contents as reflected in The Audit Program included? Yes____ No____
   If "No", describe deficiencies:
   _____
   _____
   _____
   _____

2. Are sections properly designated? Yes____ No____
   (If "No", make corrections in the CAFR and describe below.)
   _____
   _____

3. Are exhibits properly numbered? Yes____ No____
   (If "No", make corrections in the CAFR and describe below.)
   _____
   _____
   _____

4. Are all statements and schedules reflected in The Audit Program as applicable below either included in the CAFR or designated "N/A" in the table of contents? Yes____ No____

GASB 34 financial statements, pages Intro 9 through 12

If the answer is "No", list all omitted financial statements not designated as "N/A" in the table of contents. If additional space is needed attach additional sheets.

_____

_____

_____

5. Does the format for the revenue/expenditure financial statements follow the 108 line item budget summary form prescribed by the Department of Education in the New Jersey Charter School Application? Yes____ No____

6. Are restricted revenue accounts properly accounted for in accordance with GAAP? Yes____ No____

7. Do the fund types used in the financial statements conform to those described in GASB §1300.104? Yes____ No____

8. Are the food services program and the before/ after school programs recorded in an enterprise fund or an internal service fund? Yes____ No____

9a. Does the information presented in the combining statements in Other Supplementary Information agree to the applicable funds statements or budget to GAAP reconciliation? Yes____ No____

9b. Does the statement of net assets include a balance for capital assets, net of accumulated depreciation and an amount for Net Assets, Invested in capital assets, net of related debt? Yes____ No____

Does the statement of net assets include two lines for Noncurrent liabilities – Due within one year and Due in more than one year? Yes____ No____

10. Have the basic financial statements, required supplementary information and other supplementary information been prepared in the format of the CAFR Outline for the GASB 34 Model? Yes____ No____

11. Does the CAFR reflect the proper presentation of fund balance as reserved, designated and unreserved?

(a)	Are designated -unreserved fund balances to be used for capital outlay only?	Yes____	No____	N/A____
(b)	Have the appropriate disclosures related to the components of fund balance been made in the notes to the financial statements.	Yes____	No____	N/A____
(c)	Has unreserved fund balance included in the upcoming year's budget as budgeted fund balance been classified as unreserved-designated for subsequent year's expenditure?	Yes____	No____	N/A____
(d)	Are reserves related to insurance policies for other than incurred but not reported claims classified as unreserved fund balance?	Yes____	No____	N/A____
(e)	Are all other reported "reserves" and "designations" appropriate?	Yes____	No____	N/A____
(f)	Have the appropriate disclosures related to the components of fund balance been made in the notes to the financial statements?	Yes____	No____	N/A____

12. Is any of the fund balances reflected in the CAFR in a deficit position? Yes____ No____

If yes, is a finding and recommendation regarding the deficit included in the Auditor's Management Report? Yes____ No____

13. Are all interfund transfers reflected in the CAFR in accordance with statute and properly reported in accordance with GASB §1800.102-105? Yes____ No____ N/A____

14. Do the Budgetary Comparison Schedules reflect overexpenditures of line accounts in violation of N.J.A.C, 6A:23-2.11?If so, was the County Superintendent notified? Yes____ No____

If the overexpenditure was greater than $100,000, did the County Superintendent notify the Commissioner? Yes____ No____

14a Is a comment and recommendation regarding overexpenditures included in the Auditors' Management Report? If not, a note to the auditor must be included in the QAR letter. Yes____ No____ N/A____

15. If the charter school is self-insured for workmen's compensation, have they properly accounted for the activity in accordance with GASB 10 and 17? (Self-insured workmen's compensation plans should be accounted for in either the general fund or an internal service fund when there is no transfer of risk). Yes____ No____

16. If the charter school uses the reimbursement method (payment in lieu of contributions) for unemployment compensation, has the information been presented in the fiduciary fund statements? Yes____ No____ N/A____

17. Does the *Statement of Net Assets* include the capital assets balance, net of accumulated depreciation? If no, answer (b) below (GASB ¶2200.118) Yes____ No____ N/A____

    (a) Does the independent auditor's report contain the associated qualification of opinion? Yes____ No____ N/A____

18. Does the Statement of Net Assets report the portion of compensated absences which matures within one year separately from the long-term portion? (GASB § 2200-116) Yes____ No____ N/A____

19. Are contributions and exchange transactions recorded and correctly classified on the financial statements? Yes____ No____ N/A____

    (a) Does the independent auditor's report contain the associated qualification of opinion? Yes____ No____

20. Do the notes to the financial statements include: (GASB §2300) Yes____ No____

    (a) A summary of significant accounting policies that includes:

        i. An identification of the component units combined to form the reporting entity and the key criteria considered? (GASB §2600.119) Yes____ No____

        ii. The basis of accounting including revenue recognition policies? Yes____ No____

        iii. The method of encumbrance accounting and reporting? Yes____ No____

    (b) Interfund receivables and payables? Yes____ No____ N/A____

    (c) Excess of expenditures over appropriations in individual funds? Yes____ No____ N/A____

    (d) Deficit fund balances or retained earnings of individual funds? Yes____ No____ N/A____

(e) Material violations of finance-related legal and contractual provisions?(GASB §1200.112) Yes____ No____ N/A____

(f) Do the notes to the financial statements for capital assets and noncurrent liabilities agree to the *Statement of Net Assets* (GASB ¶2300.111) Yes____ No____ N/A____

III. Reporting

21. Does the Independent Auditor's Report contain the following items:

(a) A title that includes the word independent? Yes____ No____

(b) A statement that the financial statements of the governmental activities, the business-type activities, and each major fund, which collectively comprise the charter school's basic financial statements as listed in the table of contents were audited? Yes____ No____

(c) A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his audit? Yes____ No____

(d) A statement that the audit was conducted in accordance with generally accepted auditing standards (GAAS), *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____

(e) A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement? Yes____ No____

(f) A statement that the audit includes:

i. Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements? Yes____ No____

ii. Assessing the accounting principles used and significant estimates made by management? Yes____ No____

iii. Evaluating the overall financial statement presentations? Yes____ No____

(g) A statement that the auditor believes that his audit provides a reasonable basis for his opinion? Yes____ No____

(h) An opinion as to whether the financial statements present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, and each major fund as of the balance sheet date and the respective changes in financial position and cash flows, where applicable, for the period then ended in conformity with accepted accounting principles generally accepted in the United States of America? Yes____ No____

Briefly describe any qualifications:

_____

_____

_____

(i) Identification of the accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison schedules accompanying the financial statements and that limited procedures were applied? Yes____ No____ N/A____

(j) Identification of additional information accompanying the financial statements (relevant combining schedules) that have been subjected to the auditing procedures applied in the audit of the basic financial statements? Yes____ No____ N/A____

(k) Identification of additional supplementary information (such as the introductory section and statistical tables) that has not been subjected to the auditing procedures? Yes____ No____ N/A____

(l) An opinion as to whether the schedule of expenditures of federal awards and/or schedule of expenditures of state financial assistance is(are) fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion? Yes____ No____ N/A____

Briefly describe any qualifications:

_____

_____

_____

(m) An opinion as to whether the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion? Yes____ No____

Briefly describe any qualifications:

_____

_____

_____

(n) Identification that the introductory section and statistical tables was not audited? Yes____ No____

(o) The signature of the public accountant who performed the audit? Yes____ No____
(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, which employs the auditor.)

(p) The date of the audit report? Yes____ No____

22. (a) Have the schedules of expenditures of federal awards and expenditures of state financial assistance been prepared as prescribed by The Audit Program in Section II-SA? Yes____ No____ N/A____

If "No", describe deficiencies:

_____

_____

_____

(b) Do the funds received per the schedules agree with department/state disbursement records? Yes____ No____ N/A____

(c) Based on federal and state financial assistance expenditures, was the proper type of audit report prepared? Yes____ No____ N/A____
Total Federal Expenditures _____
Total State Expenditures _____

23. Do the Notes to the Schedules of Awards and Financial Assistance include the following:
(a) Basis of accounting of the data? Yes____ No____ N/A____
(b) Disclosure of the nature of differences between amounts presented in the schedules and amounts reported in related reports? Yes____ No____ N/A____
(c) Relationship of the data presented to the financial statements? Yes____ No____
(d) Assumptions used to value noncash programs and means of calculations? Yes____ No____ N/A____
(e) Unique matters necessary to understand the amounts presented for any individual program? Yes____ No____ N/A____
(f) Other matters considered necessary to ensure the schedule is not misleading? Yes____ No____ N/A____

24. Have the schedule of audited enrollments been prepared as prescribed by The Audit Program? Yes____ No____

25. Are there written procedures on how attendance is taken? Yes____ No____

26. Are there written internal procedures, which provide a description of the count process for the four required enrollment counts? The procedures should describe how the count was taken, who was responsible for compiling the data and completing the enrollment count submission, and the various assigned responsibilities for the collection of the data. Yes____ No____

27. Are the following reports included?

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*? Yes____ No____ N/A____

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133? Yes____ No____ N/A____

28. Does the Report on Compliance and on Internal Control over Financial Reporting contain the following elements?

(a) A statement that the auditor has audited the basic financial statements and a reference to the auditor's report on the basic financial statements? Yes____ No____

(b) A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____

(c) A statement that, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants? Yes____ No____

(d) A statement that the auditor's objective was not to provide an opinion on compliance with those provisions? Yes____ No____

(e) A statement that the results of tests performed disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____

(f) A statement that the results of tests performed disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and reference to the accompanying schedule of findings and questioned costs by finding reference number? Yes____ No____ N/A____

(g)	A statement that, in planning and performing the audit, the auditor considered the internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting?	Yes____	No____	
(h)	Was a reportable condition noted: (if "Yes" answer (i.)-(iv.), if "No" skip to (i))	Yes____	No____	
	i. The definition of a reportable condition?	Yes____	No____	
	ii. A statement that reportable conditions are described in the accompanying schedule of findings and questioned costs and the related finding reference number?	Yes____	No____	
	iii. The definition of a material weakness?	Yes____	No____	
	iv. A statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses and, if so:	Yes____	No____	
	1. Identifies which one(s)?	Yes____	No____	N/A____
(i)	If no reportable condition was noted:			
	i. A statement that the auditor's consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be material weaknesses?	Yes____	No____	N/A____
	ii. The definition of a material weakness?	Yes____	No____	N/A____
	iii. A statement that no matters that the auditor considered to be a material weakness were noted?	Yes____	No____	N/A____
(j)	If applicable, a statement that certain matters involving the internal control over financial reporting and its operation were communicated to management in the Auditors' Management Report?	Yes____	No____	N/A____
(k)	A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies, but that this restriction is not intended to limit the distribution of the report, which is a matter of public record?	Yes____	No____	
(l)	The signature of the public accountant who performed the audit? (The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, who employs the auditor.)	Yes____	No____	
(m)	The date of the auditor's report?	Yes____	No____	

29. Does the **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance** include the following:

(a)	A statement that the entity's compliance with the requirements described in U.S. Office of Management and Budget Circular A-133 Compliance Supplement and the New Jersey *State Grant Compliance Supplement* that are applicable to each of its major programs was audited?	Yes____	No____	
(b)	A statement that compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the entity's management and that the auditor's responsibility is to express an opinion on compliance based on his or her audit?	Yes____	No____	
(c)	A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*?	Yes____	No____	
(d)	A statement that generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in item *a*, above, that could have a direct and material effect on a major program occurred?	Yes____	No____	
(e)	A statement that an audit includes examining, on a test basis, evidence about the entity's compliance with the requirements referred to in *a*, above, and performing such other procedures as considered necessary in the circumstances?	Yes____	No____	
(f)	A statement that the auditor believes that his or her audit provides a reasonable basis for an opinion?	Yes____	No____	
(g)	Reference to the accompanying schedule of findings and questioned costs for instances of noncompliance required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 including related finding reference numbers?	Yes____	No____	N/A____
(h)	Where applicable, identification of the type of compliance requirement and the major federal program for which noncompliance was reported?	Yes____	No____	N/A____

(i)	An opinion as to whether the entity complied in all material respects, with the requirements referred to in item *a*, above? Briefly describe any qualifications: _____ _____ _____	Yes____	No____	
(j)	A statement that, in planning and performing the audit, the auditor considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04?	Yes____	No____	
(k)	A statement that the management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs?	Yes____	No____	
(l)	Was a reportable condition noted: (if "Yes" answer (i.)-(iv.), if "No" skip to (l)	Yes____	No____	
	i. The definition of a reportable condition?	Yes____	No____	
	ii. A statement that reportable conditions are described in the accompanying schedule of findings and questioned costs and the related finding reference number?	Yes____	No____	
	iii. The definition of a material weakness?	Yes____	No____	
	iv. A statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses and, if so:	Yes____	No____	
	1. Identifies which one(s)?	Yes____	No____	
(m)	If no reportable condition was noted:			
	i. A statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses?	Yes____	No____	N/A____
	ii. The definition of a material weakness?	Yes____	No____	N/A____
	iii. A statement that no matters that the auditor considered to be a material weakness were noted?	Yes____	No____	N/A____
(n)	A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies, but that this restriction is not intended to limit the distribution of the report, which is a matter of public record?	Yes____	No____	

(o) The signature of the public accountant who performed the audit? Yes____ No____
(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, who employs the auditor.)

(p) The date of the auditor's report? Yes____ No____

30. Does the **Schedule of Findings and Questioned Costs** include the following four components:

(a) A summary of the auditor's results which includes:

i. The type of report issued on the financial statements? Yes____ No____

ii. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses? Yes____ No____ N/A____

iii. A statement as to whether the audit disclosed any noncompliance, which is material to the basic financial statements? Yes____ No____

iv. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses: Yes____ No____
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

v. The type of report the auditor issued on compliance for major programs:
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

vi. A statement as to whether the audit disclosed any audit findings which the auditor is required to report:
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

vii. An identification of major programs:
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

viii. The dollar threshold used to distinguish between Type A and Type B programs:
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

ix. A statement as to whether the auditee qualified as a low-risk auditee:
- for federal awards? Yes____ No____ N/A____
- for state financial assistance? Yes____ No____ N/A____

(b) Findings relating to the financial statements, which are required to be reported in accordance with GAGAS? Yes____ No____ N/A____

(c) Findings and questioned costs for Federal awards as per A-133 (Sec.510 (b))? Yes____ No____ N/A____

(d) Findings and questioned costs for State financial assistance? Yes____ No____ N/A____

31. Does the Summary Schedule of Prior Audit Findings, for those Charter Schools in their second year of operation or later, include the following:

(a) The reference numbers the auditor assigns to audit findings, including the fiscal year in which the finding initially occurred? Yes____ No____

(b) The status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards and State Financial Assistance? Yes____ No____

(c) Audit findings reported in the prior audit's summary schedule of prior audit findings as follows: Yes____ No____

i. When fully corrected the summary schedule need only list the findings and state that corrective action was taken. Yes____ No____ N/A____

ii When not corrected or only partially corrected, the summary schedule must describe the planned corrective action as well as any partial corrective action taken. Yes____ No____ N/A____

iii. When corrective action is significantly different from corrective action previously reported in a corrective action plan or in the Federal agencies or pass-through entity's management decision, the summary schedule shall provide an explanation. Yes____ No____ N/A____

iv. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. Yes____ No____ N/A____

32. Has an acceptable Corrective Action Plan been submitted to the department with the Audit Synopsis through the county office of education? Yes____ No____

33. Has a copy of the Federal Data Collection Form as per USOMB Circular A-133 (Sec.315(e)) been received by the department if auditee expended over $500,000 in federal financial assistance? Yes____ No____ N/A____

III. Charter School Governance

1. Does the charter school have a fully functioning:

President Yes _____No ____

School Business Administrator/Board Secretary ? Yes _____No ____

Treasurer Yes _____No ____

Is the Treasurer non-voting? Yes _____No ____

2. Are any voting members of the board paid vendors or employees of the charter school?
   Yes_____ No_____

3. Is the charter school Treasurer/Custodian of School Funds maintaining custody of public school funds?

   Yes _____No ____ -

4. Does the board on a monthly basis approve all expenditures?

   Yes _____ No _____

5. Do the President and Board Secretary of the board sign all checks? Yes _____ No _____

6. Does the board receive monthly financial statements, which include a bill list and a budget to actual?
   Yes _____No ____ -

IV. Comments and Recommendations

1. Does the Auditors' Management Report contain comments as outlined in The Audit Program as to the accuracy and completeness of financial reports and claims for advances or reimbursement to federal agencies or their representatives (i.e. Food Service Fund) and Child Nutrition Requirements? Yes____ No_____

2. Are all irregularities disclosed in the Audit Questionnaire included as comments and recommendations in the Auditor's Management Report? (All negative comments, exceptions, or noncompliance noted in the Audit Report should have a corresponding recommendation) Yes____ No_____

   If answer to question 2 is "No", briefly describe omitted comments and recommendations:

   _____
   _____
   _____
   _____

3. Does the Auditors' Management Report provide comments both negative and positive on significant findings and recommendations from the previous audit to determine whether appropriate corrective actions had been taken? Yes____ No_____ N/A____

State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY
Governor

WILLIAM L. LIBRERA
Commissioner

November 25, 2003

TO: CS

FROM: Yut'se Thomas, Director
Office of School Funding

SUBJECT: Charter School Payment Schedules for 2003-04 School Year based on the October 15, 2003 Enrollment Count

This memo serves as an official notification that the total charter school aid for 2003-04 from the districts is $2,862,571 based on the October 15 actual enrollment count. Attached is the new 2003-04 district payment schedule. The next revision to this payment schedule will be sent to the school district in March 2004 reflecting the charter school's actual enrollment on February 15, 2004.

Pursuant to N.J.S.A. 18A:36A-12 (d), first year charter school students who attended non-public schools last year are not included in the district's payment schedule. These students will be funded by the state with direct payments to the charter school. The total amount of non-public student aid is $9,246 based on the October 15 actual enrollment count. Attached is the charter school aid calculation for the non-public students.

The student detail provided includes both public and non-public students. We have provided a separate list of non-public students so that you can reconcile the numbers with the payment schedules.

On January 14, 2000, Chapter 385 Laws of 1999 was approved. Pursuant to section 12 of P.L. 1995, c. 426 (C. 18A: 36A-12), this provides state aid to any charter school which operates a full-day kindergarten program and which is located in an Abbott district. This law expired after the 2000-01 school year. However, funds are appropriated in the budget through budget resolution. The total amount of Abbott Kindergarten Aid is $0 , based on the October 15 actual enrollment count.

The revised amount that you will receive directly from the State for the difference in the local levy funding based on the Council on Local Mandates decision on May 11, 2000, that became law in November 2000, N.J.S.A. 18A:36A-12 (c), is $153,934 . Attached is a spreadsheet labeled "Aid Calculated for October 15, 2003 for the 2003-04 School Year" that reflects how this amount was determined. It shows the aid calculated "Prior to Mandate" and "Per the Mandate" and the difference in aid.

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We have attached the following printouts:

1. Student details from the DOE-NET system that includes ADE and Tier information.
2. Student details from the DOE-NET system that includes assigned school codes.
3. Registered students with 000 or 999 assigned school codes.
4. Non-public school student detail.
5. District payment schedule and charter school aid calculation for public students. (4 pages)
6. Charter school aid calculation for non-public students. (3 pages)
7. Charter school aid calculated per Mandate vs. prior Mandate and the difference (spreadsheet)

Please note that the dates of the state payments have been changed from the 2nd and 16th to the 8th and 22nd of each month to correspond with the revised dates of the state aid payments to the districts.

If this enrollment count reflects an Average Daily Enrollment (ADE), which is lower than the enrollment reflected on your board-approved budget, please submit a revised, board-approved budget, reflecting the decrease in revenue, to my attention by November 30, 2002.

If you have any questions, please contact Kathy Ambrosio at (609) 341-5298, Karina Bielaus at (609) 341-5299, Nicole Kane at (609) 984-5929 or Charles Kahil at (609) 292-5168.

Attachments
YT/sp/sandy/Charter Schools/Letters 2002-03/CS Letter 2002-03 October Enrollment count Page1&2-new schools

c: Richard Rosenberg, Assistant Commissioner
Richard Ten Eyck, Assistant Commissioner
Michael Klavon, Director, Innovative Programs and Schools
Rochelle Hendricks, Manager, Innovative Programs and Schools
Nancy Burridge, Office of School Funding

STATE OF NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
OFFICE OF SCHOOL FUNDING
2003-2004 PAYMENT SCHEDULE
FOR OCTOBER 15, 2003

11/24/03

APPENDIX A

-3-

PAYMENT SCHEDULE FROM: ATLANTIC
TO THE CHARTER SCHOOL:

Enrollment Count for OCTOBER 15, 2003: 5

The following is a list of the Aids Payable to the Charter School

Total Per Pupil Amount			$36,294
Local Percent & Amount	32.5%	$11,801	
State Percent & Amount	67.5%	$24,492	
Special Education Aid			$0
Bilingual Education Aid			$0
Early Childhood Prog Aid			$4,085
Demonstrably Eff. Prog Aid			$2,315
Instructional Supplemental Aid			$0
Consolidated Aid			$549
Total Aid Payable to Charter School			$43,242

PAYMENT SCHEDULE DATES:

Scheduled Date	Amount	Adjustment	Scheduled Date	Amount	Adjustment
July 15, 2003	$983				
August 15, 2003	$983				
September 8, 2003	$1,572		February 8, 2004	$1,572	
September 15, 2003	$983		February 15, 2004	$983	
September 22, 2003	$1,572		February 22, 2004	$1,572	
October 8, 2003	$1,572		March 8, 2004	$1,5[illegible]	
October 15, 2003	$983		March 15, 2004	$983	
October 22, 2003	$1,572		March 22, 2004	$1,572	
November 8, 2003	$1,572		April 8, 2004	$1,572	
November 15, 2003	$983		April 15, 2004	$983	
November 22, 2003	$1,572		April 22, 2004	$1,572	
December 8, 2003	$1,572	$14,350	May 8, 2004	$1,572	
December 15, 2003	$983		May 15, 2004	$983	
December 22, 2003	$1,572		May 22, 2004	$1,572	
January 8, 2004	$1,572		June 8, 2004	$1,572	
January 15, 2004	$983		June 15, 2004	$983	
January 22, 2004	$1,572		June 22, 2004	$1,572	

STATE OF NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
OFFICE OF SCHOOL FUNDING
OCTOBER 15, 2003 PER PUPIL AMOUNTS
FOR THE 2003-2004 SCHOOL YEAR

11/24/03
PPAMTS_TE

RESIDENT DISTRICT: ATLANTIC
CHARTER SCHOOL:
2003-2004 CHARTER SCHOOL ENROLLMENT: 5

(A) Budget-Core Curriculum Standard Aid, Stabilization Aid, Budgeted General Fund Balance, Misc. General Fund Revenue and General Fund Tax Levy $40,844,563

(A) x CPI rate $41,706,383

	Projected Pupils 10/15/03	Weight	Weighted Enrollment	Ratio	Total Program Budget	Program Budget Per Pupil @ 100%	Program Budget Per Pupil @ 90%	Maximum T & E Per Pupil @ 90%
Grade Category								
Kindergarten	350.0	0.50	175	4.30%	$1,794,083	$5,126	$4,613.36	$3,927.89
Elementary School Gr. 1-5	1,656.0	1.00	1,656	40.7%	$16,977,152	$10,252	$9,226.71	$7,855.79
Middle School Gr. 6-8	960.0	1.04	998	24.5%	$10,235,500	$10,662	$9,595.78	$8,170.02
High School Gr. 9-12	1,116.0	1.11	1,239	30.5%	$12,699,648	$11,380	$10241.65	$8,719.92

The per pupil amounts are calculated by taking the lower of either: A). Program Budget Per Pupil @90% B). Maximum T&E Per Pupil @90% C). the capped per pupil amount for the resident district or D). the average per pupil amount for a regional charter school

	Charter School Projected Enrollments	Per Pupil Amounts	Total	
Grade Category				
Kindergarten	1	$3,928	$3,928	
Elementary School Gr. 1-5	1	$7,856	$7,856	
Middle School Gr. 6-8	3	$8,170	$24,510	
High School Gr. 9-12	0	$8,720	$0	
	0			
	5			
Total Per Pupil Amount			$36,294	1).

STATE OF NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
OFFICE OF SCHOOL FUNDING
OCTOBER 15, 2003 PER PUPIL AMOUNTS
FOR THE 2003-2004 SCHOOL YEAR

11/24/03
CATAID_TE

APPENDIX A

RESIDENT DISTRICT:
CHARTER SCHOOL:
2003-2004 CHARTER SCHOOL ENROLLMENT: 5

County: ATLANTIC

	Column (A) Total Tier	Column (B) Rate	(A) x (B) Total	
Special Education				
Tier I	0.0	$310	$0	
Tier II	0.0	$3,260	$0	
Tier III	0.0	$5,975	$0	
Tier IV	0.0	$13,037	$0	
Total Special Education			$0	3).
Bilingual Aid	0.0	$1,168		
Total Bilingual Aid			$0	4).
Early Childhood Program Aid				
District Concentration of Low Income Pupils	50.1%			
Charter School Concentration of Low Income Pupils	72.0%			
If percent is 20% < 40% then rate is $506				
If percent is 40% or more then rate is $817		$817		
Total Early Childhood Program Aid			$4,085	5).
Demonstrably Effective Program Aid				
Specific to Charter School Grades				
Number of Schools with the Concentration of Low Income Pupils-(L.I.P.)		# Eligible / Total #		
Concentration of L.I.P. 20%<40% 2		0 / 0	$327	$0
Concentration of L.I.P. =>40% 4		1 / 5	$463	$2,315
Concentration of L.I.P. <20% 0		0 / 0	$0	$0
Total Number of Schools 6				
Total Demonstrably Effective Program			$2,315	6).
Instructional Supplemental Aid				
District Concentration of Low Income Pupils	50.1%			
Charter School Concentration of Low Income Pupils	72.0%	0	$369	
Total Instructional Supplemental Aid			$0	7).
Consolidated Aid				
Charter School Enrollment x Rate	5	$109.72		
Total Consolidated Aid			$549	8).

STATE OF NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE
OFFICE OF SCHOOL FUNDING
OCTOBER 15, 2003 PER PUPIL AMOUNTS
FOR THE 2003-2004 SCHOOL YEAR

11/24/03
SUMMARY_TE

RESIDENT DISTRICT: COUNTY: ATLANTIC
CHARTER SCHOOL:

2003-2004 CHARTER SCHOOL ENROLLMENT: 5

General Fund Charter School Aid

				Budget Line For Charter School
TOTAL PER PUPIL AMOUNT AT CHARTER SCHOOL RATE	$36,294	1).	Page 2	Line 13
Local Percentage 32.5%				Line 11
State Percentage 67.5%				Line 12
SPECIAL EDUCATION	$0	3).	Page 3	Line 15
BILINGUAL AID	$0	4).	Page 3	Line 16
Subtotal	$0			
Subtotal General Fund - Charter School Aid	$36,294			
OTHER STATE/AID				
EARLY CHILDHOOD PROGRAM AID	$4,085	5).	Page 3	Line 19
DEMONSTRABLY EFFECTIVE PROGRAM AID	$2,315	6).	Page 3	Line 20
INSTRUCTIONAL SUPPLEMENTAL AID	$0	7).	Page 3	Line 17
CONSOLIDATED AID	$549	8).	Page 3	Line 18a
Subtotal State - Charter School Aid	$6,949			
GRAND TOTAL POTENTIAL AID TO CHARTER SCHOOL	$43,242			

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State of New Jersey

DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY
Governor

WILLIAM L. LIBRERA
Commissioner

May 5, 2003

TO: Charter School Lead Person
Resident and Non-Resident School District

FROM: Yut'se Thomas, Director
Office of School Funding
Division of Finance

SUBJECT: 2003-04 Charter School Enrollment System – Session 1 Enrollment Counts

This memo serves as a timeline for submission of the June 1, 2003 enrollment counts in the charter school.

The Department of Education has created a student enrollment start-up file for Session 1 of the 2003-04 school year in order to reduce the amount of data entry time required by charter schools and districts. This start-up file was created by copying student records that existed in the file as of Session 3 (i.e., February 15, 2003). All student records were copied with the exception of those coded "D" in the action field. ("D" indicates that the student had been dropped from the charter school's enrollment by February 15, 2003.)

The fields that have been copied are listed below along with a notation of the entity responsible for reviewing and modifying the data. In addition to ensuring the accuracy of the pre-populated student information you will need to enter data for any new students.

Field	Responsibility	Special Instructions
Last Name	Charter School	
First Name	Charter School	
Middle Initial	Charter School	
Birth Date	Charter School	
Grade +1	Charter School	X
Race	Charter School	X
Sex	Charter School	X
Non-Public (School Name)	Charter School	X
Enrolled Days	Charter School	X
Assigned District School Code	School District	
Sent To	School District	
Free Lunch/Milk	Charter School	X
Special Education Tier	Charter School	X

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Special Instructions

Grade - The student's grade level was increased by 1. For example, students in grade 1 in 2001-02 will appear in grade 2 in the 2002-03 file. Charter schools must review the grade information and adjust as necessary.

Free Lunch/ Milk – Both charter schools and school districts can enter codes regarding a student's eligibility for Free Lunch or Milk. Such children are those who have been determined to be eligible to receive free meals or free milk under the National School Lunch Act and the Child Nutrition Act. Enter "F" if the student is eligible for Free Lunch/ or Free Milk. Enter "R" if the student is eligible for reduced Lunch/ or reduced Milk. Leave the field blank if the student is not eligible.

Race and Sex - Race and sex must be populated on every student record.

Non-Public School Name – If the student enrolled in the charter school from a non-public school, you must enter the name of the non-public school. Non-public schools include private schools and parochial schools. Do not enter a "yes", "no", or the name of your charter school in this field. If the student enrolled in the charter school from a public school enter "P" in the field. Note: Students enrolled from another charter school are considered public school students and a "P" should be entered in the field.

The Charter School is required to provide, to the Office of Fiscal Standards & Efficiency, a separate list of **new** students who enrolled from non-public schools for FY 2002-03. Include the **Name of Student, Date of Birth, Grade, Name and Address of Non-public School**. Do not include students who were enrolled last year. Note: Home schooled students; transfers from other charter schools and Kindergarteners are considered Public Students.

Session Days – The number of session days was copied from the 2001-02 file. If this information is not correct for the 2002-03 school year, the charter school must change the number of session days on the Session Information Entry screen.

Tier Code and Days –Classification codes for special education are included in Attachment 1.

The schedule for entering this data into the system is attached. Please note that the file will be locked on June 21 so that DOE can begin to generate the payment schedules for the 2002-03 school year. Further, by July 1 the Session 4 file will be restored so that you can enter the final enrollment counts for the 2001-02 school year. Note: Since both the 1st count for 2002-03 and the final count for 2001-02 are taken from the February 15, 2001 enrollment files, any enrollment changes must be done to both the 1st count of 2001-02 and the final count for 2000-01.

All the information on enrollment should be maintained in your school registers in addition to any other recording system that you may be using. Please note that your enrollment and attendance records are subject to a school register audit at any time.

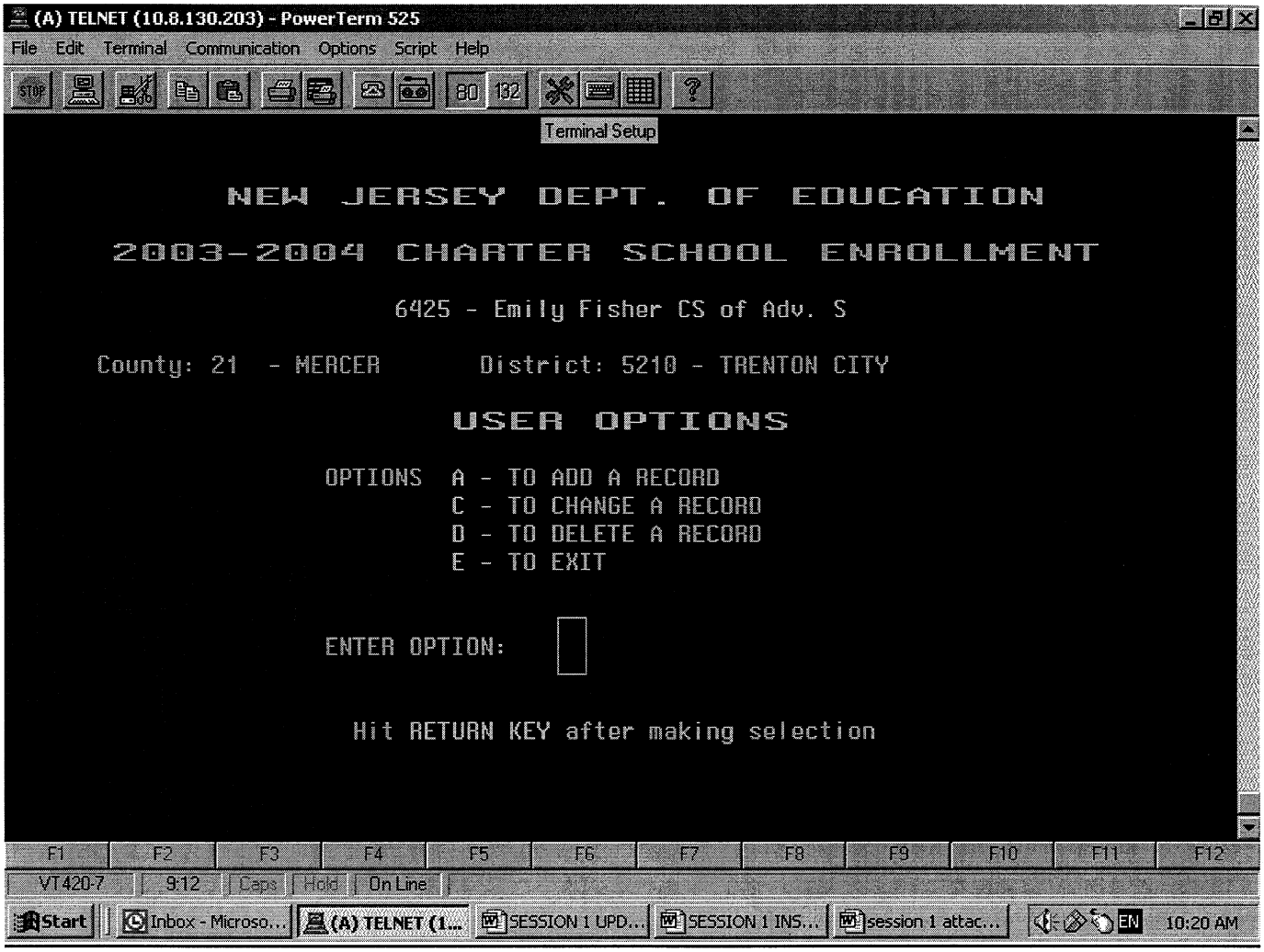
If you have any technical questions or require assistance you may call Nancy Burridge at (609) 292-8358, or Jacqueline Grama at (609) 341-2099.

Yt/jg/sp/cs/enrollment count session 1instructions
Attachments
c: County Superintendent
Anne O'Dea, Director, Charter Schools
Nancy Burridge
Jacqueline Grama

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Student Information Entry Screen - 1



ENTER ONE OF THE FOLLOWING OPTIONS:

If **(A) dd** is chosen – you will be brought to the Student Enrollment Information Screen where you will enter information for students who were not included in the list of registered students for Session One.

If **(C) hange** is chosen – the system will ask you to enter the student's last name. If no name is entered the system will bring up the first student record in alpha order on the next screen (Student Enrollment Information Screen).

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

(D) elete - This option is not available to the charter School. **For duplicate records, if a student has left the charter school or never came to the school, follow the instructions for the "Action Field" on the Student Enrollment Information Screen.** Failure to follow these instructions could lead to audit problems in the future.

***** Important Reminders *****

- If you are finished adding student records for one district and wish to add student records for a different district, you must first change the district code. Failure to do this will result in student records being associated with the wrong district for funding purposes.

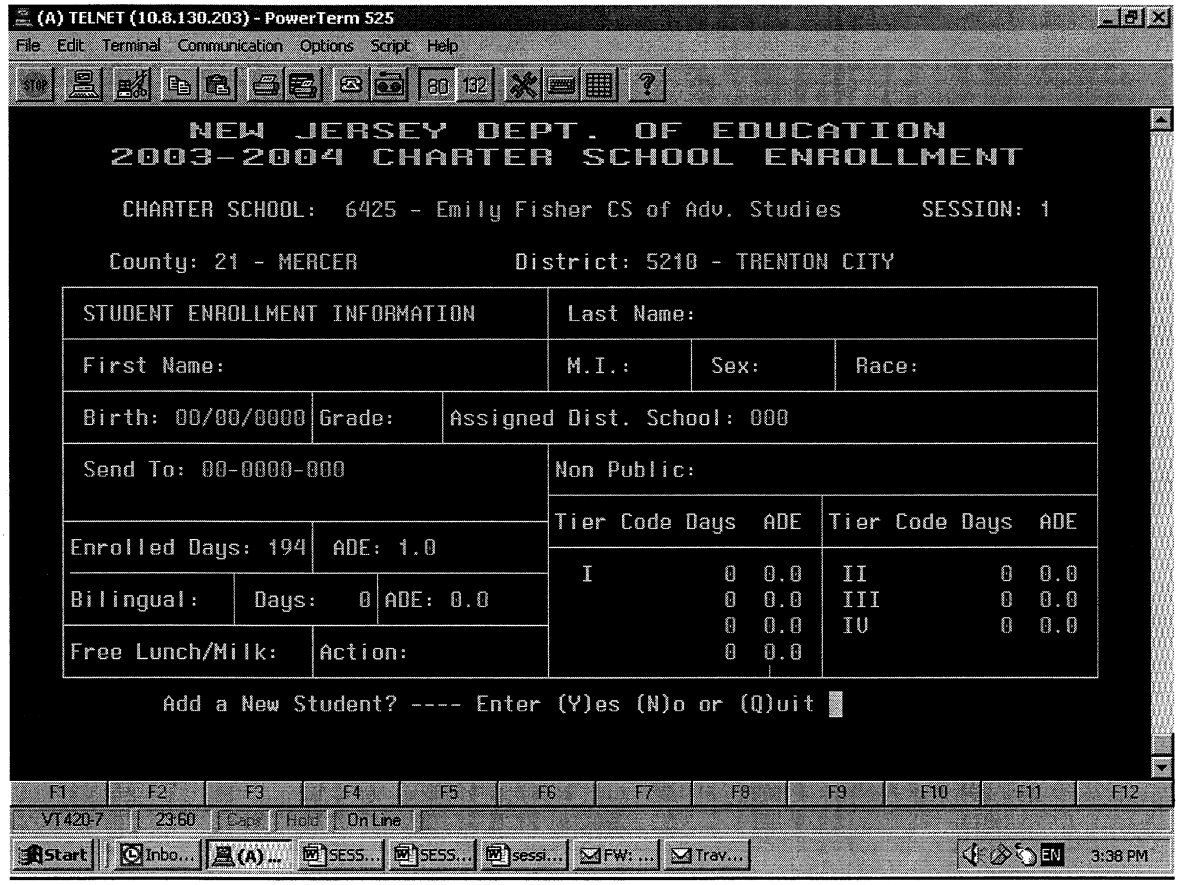
- Charter school users do not have access to the "Assigned School Code and the Send To Code" fields. This information can only be changed/completed by school districts. All students enrolled during Session 1 must be identified as registered students in the district. The School district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field.

The district will enter "999" in the Assigned school code field if the student does not belong to the district. "000" in this field indicates that the district has taken no action on the student record. **Student records containing a "999" or "000" code will not be included in the calculation of school based aid payment. It is therefore imperative that charter schools immediately contact the school district to have this information entered for newly added student records and/or corrected as necessary for other student records.**

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Student Information Entry Screen – 2



""ENROLLED DAYS"":
The total number of days in Session 1 will be displayed (e.g. 180 days). Session 1 runs from the first day of school up to and including the last day of school. Note: The total number of days in the school year will automatically be entered into the Enrolled Days field for Session 1. **The charter school is responsible for the accuracy of all data and therefore must review and modify, as needed the number of "ENROLLED DAYS" on each student record.**

Non-Public School XXXXXXXXXXXXXXXXXXXXX
The system will not process the record if this field is left blank.

If the student came to the charter school from a public school enter one of the following in the non-public field:

- the word "Public"
- the letter "P"
-

If the student came to the charter school from a non- public school enter the name of the non-public school in the non-public field. For example, Saint XXXXX or XXXXXXX Prep School. If a student came to the charter school from home school, enter "home school" in the non-public field.

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Note " Transfers from other charter schools or Kindergartners are coded as "Public"

Free Lunch/Milk: X
ENTER "**F**" to indicate a student's eligibility for Free Lunch or Milk. Those are children who have been determined to be eligible to receive free meals or free milk under the National School Lunch Act and the Child Nutrition Act. Enter "**R**" if a student is eligible for reduced lunch or milk. This field must be left blank if student is not eligible. This rule will apply even if the field is populated sometime after the beginning of the school year. **The data in this field as of October 15 count will be used by the DOE to calculate various entitlement programs allocations. It is therefore critical for charter schools to enter this information now.**

Sex: X
ENTER (M) male or (F) female. The sex field must be completed for each student.

Race: X
The Fall Survey application requires student counts by racial/ethnic origin. Mandated by the federal government, these standard classifications were developed in order to collect compatible, non-duplicated, and exchangeable racial and ethnic data for use by the federal agencies. For the purposes of the fall survey reports, a student is to be included in the group to which he or she appears to belong, identifies with, or is regarded in the community as belonging to. However, no individual can be counted in more than one racial ethnic category. The definitions of these categories are as follows:

Code	Definitions
W	White, Not of Hispanic Origin. An individual having origins in any of the original peoples of Europe, North Africa, and the Middle East.
B	Black, Not of Hispanic Origin. A person having origins in any of the black groups of Africa.
H	Hispanic. A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture origin, regardless of race.
I	American Indian or Alaskan Native. A person having origins in any of the original peoples of North American.
A	Asian or Pacific Islander. A person having origins in any of the original peoples of the Far East, South-East Asia, the Pacific Islands or the Indian subcontinent. This includes, for example, China, Japan, Korea, the Philippine Islands, Samoa, and India.

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

The Student Information – Display All Students in A Grade Screen, which lists all the students in specific grade, can be used to check for completion of the sex and race data for each student.

Bilingual: X Days 000
ENTER (Y)es to indicate a student's eligibility for bilingual aid. This field must be left blank if student is not eligible. The charter school must enter the number of "Days" that student received bilingual services during Session 1. A student is eligible for bilingual aid if he/she is identified as Limited English Proficient (LEP) in accordance with N.J.A.C.6: 31-1.2, participating in a bilingual/ESL program or a program of English Language Services.

Action: X
ENTER (D) if a student is no longer enrolled in the charter school. The system will only accept (D) in this field.
The "ENROLLED DAYS" should also be adjusted to accurately reflect the number of days the student was enrolled during Session 1 for purpose of calculating ADE and payments owed on behalf of the student during Session 1.

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Tier Code: XXX and Days: 000
Refer to the Special Education section of the Charter School Enrollment System User Manual for additional information pertaining to categorical aid for special education

Tier I Code : XX and Days: 000
Enter the specific service (e.g. OT for Occupational Therapy) for the first service. If the child's I.E.P. requires more then one service then use the other fields with in the Tier I section for each additional service. Enter the number of days the student received the service during Session 1.

Tier I relates to those pupils classified **for other than speech correction services** resident in the district which receive related services including, but not limited to, occupational therapy, physical therapy, speech and counseling.

Only classified students are eligible for Tier I aid and **only up to four services**. This does not mean that for the student, if the I.E.P. requires more than four services or the student is not classified special education that these services are not provided to the student. The charter school **must** provide all the necessary services as required by the students' I.E.P.

Tier II –Code: XX and Days: 000
Enter code only if the student is classified as Specific Learning Disabled (SD), or Traumatic Brain Injury (BI), or Cognitively Impaired - Mild (CMD) or Preschool Disabled (PD). Enter the number of days the student received service during the session.

Tier III- Code: XX and Days: 000
Enter code only if the student is classified as Cognitively Impaired –Moderate (CIM) or Emotionally Disturbed (ED), or Multiply Disabled (MD), or Auditory Impaired (AI), or Orthopedically Impaired (OI), or Communication Impaired (CI), or Other Health Impaired (HI) or Visually Impaired (VI). Enter the number of days the student received the service during the session.

Tier IV- Code: XX and Days: 000
Enter code only if the student is classified as autistic (AUT), or Cognitively Impaired - Severe (CIS), and any classified students receiving one or more of the defined intensive services (IS) such as: individualized instruction, student to teacher – aide ratio of 3:1 or less, high level assistive technology, extended school year, intensive related services, interpreter services, personal aide, residential placement for educational purposes and individual nursing facilities. Enter the number of days the student received the service during the session.

ATTACHMENT TWO

Charter School Enrollment System - Student Information Update

The non-public school field on each student record must contain an entry. An entry must be made even if the student record requires no other changes for Session 1. The system will not process the record if this field is left blank.

If the student came to the charter school from a public school enter one of the following in the non-public field:

- the word "Public"
- the letter "P"

Note: New kindergarten students must be classified as Public school students.

If the student came to the charter school from a non- public school or home school enter the name of the non-public school in the field. For example

- Saint Some Name
- Some Name Prep School
- Home schooled

Entries other than those described above will not be acceptable. For example, "Yes", "No", or the name or initials of your charter school are not acceptable entries. The charter school will be required to correct unacceptable entries in the future.

State of New Jersey

DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY
Governor

WILLIAM L. LIBRERA
Commissioner

September 22, 2003

TO: Charter School Lead Person
Resident and Non Resident School Districts

FROM: Yut'se Thomas
Office of School Funding

SUBJECT: October 15, 2003 Enrollment Counts

This memo serves as a timeline for submission of Session 2 student enrollment data through the department's DOENET system.

Since the October 15 enrollment count is utilized for determination of federal funding, charter schools must be diligent in ensuring that all students and applicable low income, special education and bilingual education information is entered into the DOENET.

Charter schools are reminded that, in addition to entering the required student information and applicable low income, special education and bilingual education data into the DOENET, the information must be submitted separately to the resident and non-resident districts for ASSA reporting purposes.

Date	Responsibility	Action Item
Sept. 29 – Sept. 30	All Charter Schools	Provide to the Department of Education the number of Session 2 days via fax. The days in Session 2 are defined as the number of days students were in school receiving instruction from the first day of school up to and including October 15. Via fax, provide to the Department of Education the list of first year non-public school students, including names, district of residence and name of non-public school previously attended.
Oct. 1 – Oct. 3	Department of Education	Update Session 2 days for all charter schools. File initialized for Session 2 by automatically entering ENROLLED DAYS on each student record.

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Date	Responsibility	Action Item
Oct. 6 – Oct. 17 DOENET *open for changes needed for each student record and to enter new students not in the system*	Charter School	Modify student enrollment data as needed. Because the Department automatically populated the ENROLLED DAYS, the charter school needs to only change the records of those students who were not enrolled in the full session. (E.g. a student dropped out of the school in September or a new student entered the charter school in October.) Reminder: Place a "D" in the ACTION field and change the number of enrolled days if student dropped from enrollment after the first day of school. DO NOT DELETE any student records from the system. Upon completing the file update, the charter schools must notify districts to enter assigned district school codes for new and uncertified students.
Oct. 20 –Oct. 24 DOENET *open for school district input*	Resident/ Nonresident School District	Check Screen 4. –Update Assigned District school code for 999 and 000 to access subset of students requiring certification of residency. If unable to access Screen 4, utilize Screen 2 and follow instructions on Attachment 2.
Oct. 20, Oct. 27	Department of Education	Department of Education will Fax 000 and 999 reports to charter schools. The report shows student records, which require district assignment of school codes.
Oct. 27– Oct. 31	Charter Schools Resident/ Nonresident School District	Charter School and district personnel work together to resolve any discrepancies.
Nov. 3 – Nov. 21	Department of Education	**DOENET closed** to charter schools and resident/ nonresident school districts. Department will calculate revised payment schedules.

Please review the attachments to this memorandum. They provide information you will need in order to complete the Session 2 update. Attachment One describes information needed in each field. It also includes reminders about the importance of entering student information relating to free lunch/free milk and sex and race. Attachment Two describes the action to be taken by the school district to certify a student's residency.

Timely distribution of the revised payment schedules depends on strict adherence to the deadlines outlined above. For this reason it is recommend that you immediately contact the DOE Technical Assistance Help Line at (609) 984-6794 or your county office to make arrangements to complete the file update from that site should you encounter any problems accessing the DOENET. Failure to update the system will result in payment schedules that reflect the student data as of the June 2003 enrollment count.

If you have any technical questions or require assistance you may call Nicole Kane at (609) 984-5929, Charles Kahil at (609) 292-5168, Karina Bielaus at (609) 341-5299 or Kathy Ambrosio at (609) 341-5298.

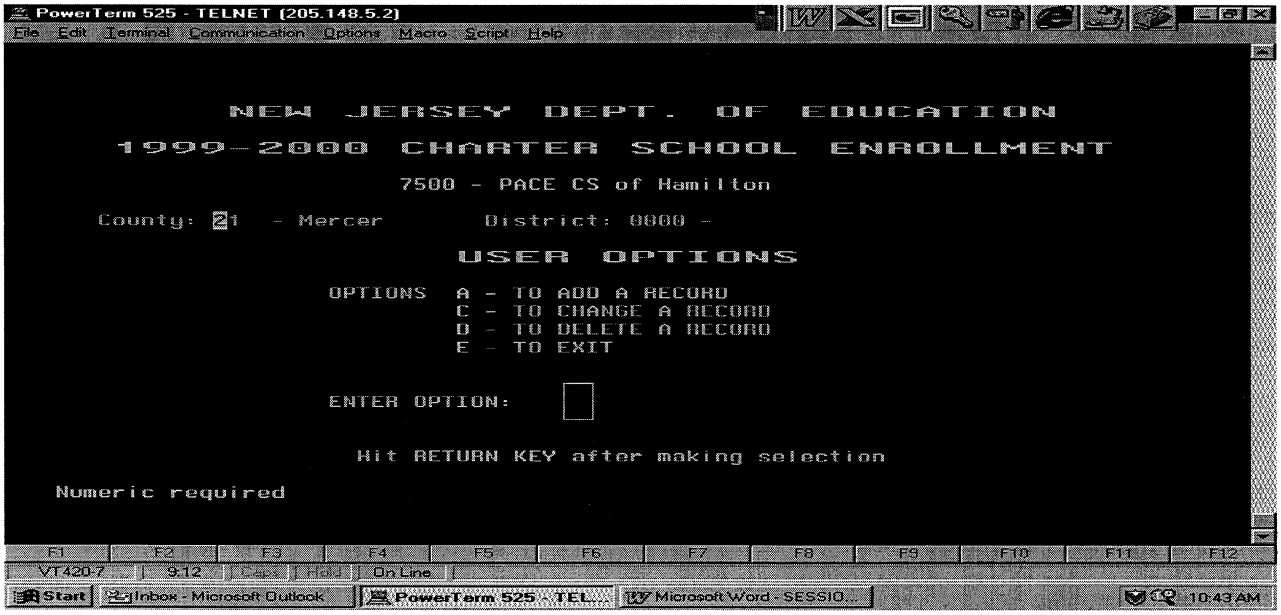
Z:/Finance/2003-04/enrollment system/session 2/FY 04 session 2 schedule
Attachments

C: Michael Klavon
Yut'se Thomas
County Superintendents

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Student Information Entry Screen - 1



ENTER ONE OF THE FOLLOWING OPTIONS:

If **(A) dd** is chosen – you will be brought to the Student Enrollment Information Screen where you will enter information for students who were not included in the list of registered students for Session 2.

If **(C) hange** is chosen – the system will ask you to enter the student's last name. If no name is entered the system will bring up the first student record in alpha order on the next screen (Student Enrollment Information Screen).

(D) elete -This field is not available to the charter school. For duplicate records or if a student has left the charter school or never came to the school, follow the instructions for the "Action Field" on the Student Enrollment Information Screen.

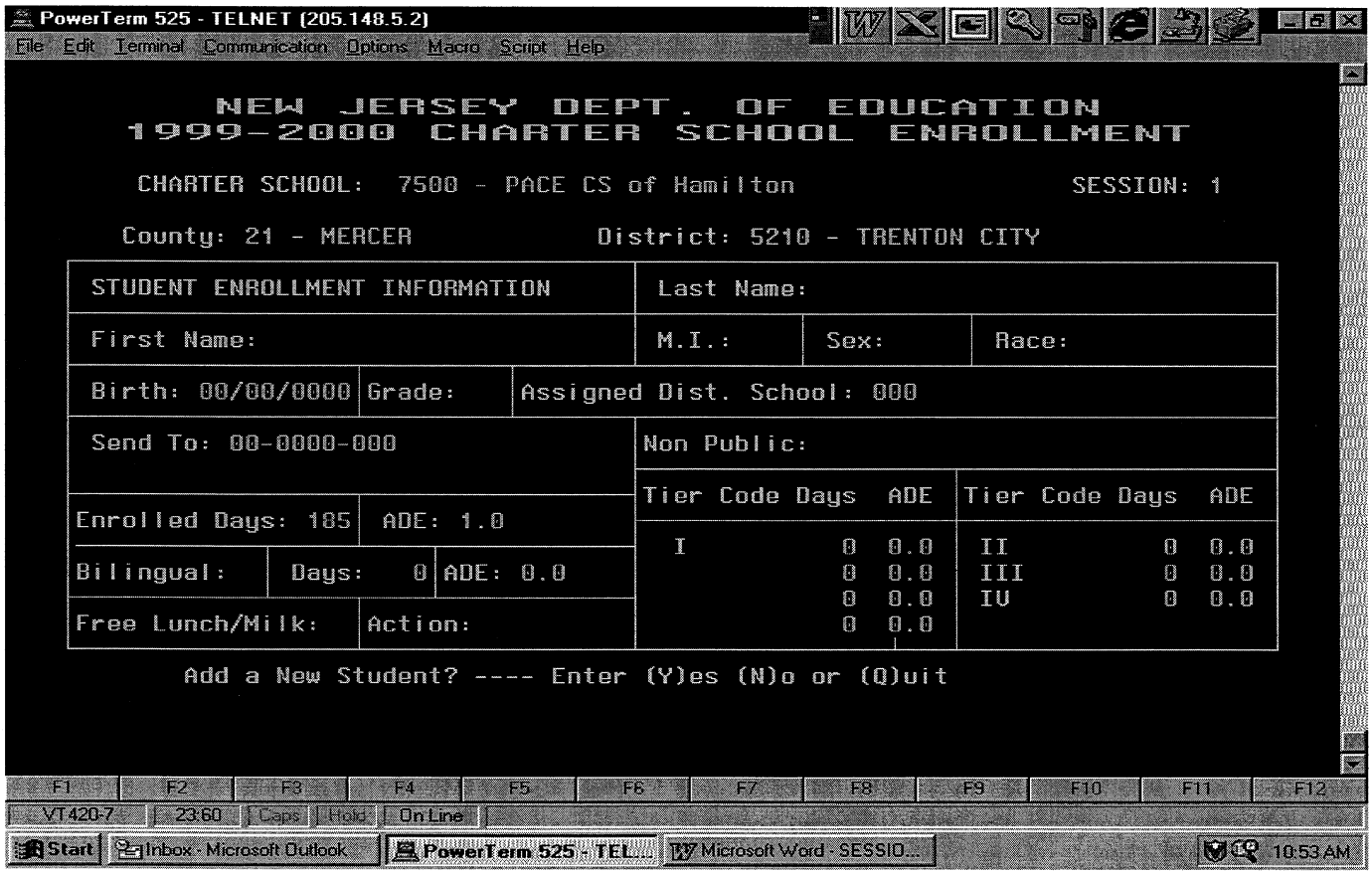
*** Important Reminders ***

- **The non-public school field must be populated on each student record.**
- The sex and race information in the Charter School Enrollment System as of the October 15th count will be extracted for inclusion in the annual Fall Survey Report. Consequently, the sex and race data must be entered for each student even if the student record requires no other changes.
- Charter school users do not have access to the "Assigned School Code and the Send To Code" fields. This information can only be changed/completed by school districts. All students enrolled during Session 2 must be identified as registered students in the district. The School district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

The district will enter "999" in the Assigned school code field if the student is not registered to the district or if the record student is a duplicate record of a student record with an appropriate Assigned Dist. School Code. "000" in this field indicates that the district has taken no action on the student record. Student records containing a "999" or "000" code will not be included in the calculation of school based aid payment. It is therefore imperative that charter schools immediately contact the school district to have this information entered for newly added student records and/or corrected as necessary for other student records.

Student Information Entry Screen - 2



""ENROLLED DAYS"": 000
The total number of days in Session 2 will be displayed (e.g. 26 days). (Session 2 runs from the first day of school up to and including October 15, 2003.) Charter school users must modify this data if the actual number of days the student was enrolled during the session differs from the number displayed. (E.g., Session 2 =26 days, but the

student transfers out after 15 days, you must change the "ENROLLED DAYS" from 26 to 11. If the student never came to the charter school the number of enrolled days must be changed to zero and a "D" must be entered in the ACTION field. **The charter school is responsible for the accuracy of all data and therefore must review and modify, as needed the number of "ENROLLED DAYS" on each student record.**

Non-Public School XXXXXXXXXXXXXXXXXXXX
The non-public school field on each student record must contain an entry. The system will not process the record if this field is left blank.

If the student came to the charter school from a public school enter one of the following in the non-public field:

- the word "Public"
- the letter "P"

If the student came to the charter school from a non- public school enter the name of the non-public school in the non-public field. For example, Saint XXXXX or XXXXXXX Prep School. If a student enrolled in the charter school directly from home school, enter "Home School" in the non-public field.

NOTE: Transfers from another charter school are coded as "P" for public school in the non-public field.

Free or Reduced Lunch/Milk: X
ENTER (F) to indicate a student's eligibility for Free Lunch or Milk. Those are children who have been determined to be eligible to receive free meals or milk under the National School Lunch Act and the Child Nutrition Act. Enter (R) to indicate a student's eligibility for Reduced lunch or Milk. This field must be left blank if the student is not eligible. **The data in this field as of October 15 count will be used by the DOE to calculate various entitlements programs allocations. It is therefore critical for charter schools to enter this information now.**

Sex: X
ENTER (M) male or (F) female. The sex field must be completed for each student.

Race: X
The Fall Survey application requires student counts by racial/ethnic origin. Mandated by the federal government, these standard classifications were developed in order to collect compatible, non-duplicated, and exchangeable racial and ethnic data for use by the federal agencies. For the purposes of the fall survey reports, a student is to be included in the group to which he or she appears to belong, identifies with, or is regarded in the community as belonging to. However, no individual can be counted in more than one racial ethnic category. The definitions of these categories are as follows:

Code	Definitions
W	White, Not of Hispanic Origin. An individual having origins in any of the original peoples of Europe, North Africa, and the Middle East.
B	Black, Not of Hispanic Origin. A person having origins in any of the black groups of Africa.
H	Hispanic. A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture origin, regardless of race.
I	American Indian or Alaskan Native. A person having origins in any of the original peoples of North American.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

A Asian or Pacific Islander. A person having origins in any of the original peoples of the Far East, South-East Asia, the Pacific Islands or the Indian subcontinent. This includes, for example, China, Japan, Korea, the Philippine Islands,
Samoa, and India.

The Student Information – Display All Students in A Grade Screen, which lists all the students in specific grade, can be used to check for completion of the sex and race data for each student.

Bilingual: X Days 000
ENTER (Y)es to indicate a that a student is eligible for bilingual aid and is receiving appropriate bilingual services. This field must be left blank if student is not eligible. The charter school must enter the (number of) "Days" that student received bilingual services during Session 2. A student is eligible for bilingual aid if he/she is identified as Limited English Proficient (LEP) in accordance with N.J.A.C.6: 31-1.2, participating in a bilingual/ESL program or a program of English Language Services.

Action: X
ENTER (D) if a student is no longer enrolled in the charter school. The system will only accept (D) in this field.
The "ENROLLED DAYS"" should also be adjusted to accurately reflect the number of days the student was enrolled during Session 2 for purpose of calculating ADE and payments owed on behalf of the student during Session 2.

Tier Code: XXX and Days: 000
Refer to the Special Education section of the Charter School Enrollment System User Manual for additional information pertaining to categorical aid for special education

Tier I Code : XX and Days: 000
Enter the specific service (e.g. OT for Occupational Therapy) for the first service. If the child's I.E.P. requires more than one service then use the other fields within the Tier I section for each additional service. Enter the number of days the student received the service during Session 2.

Tier I relates to those pupils classified **for other than speech correction services** resident in the district which receive related services including, but not limited to, occupational therapy, physical therapy, speech and counseling.

Only classified students are eligible for Tier I aid and **only up to four services**. This does not mean that for the student, if the I.E.P. requires more than four services or the student is not classified special education that these services are not provided to the student. The charter school **must** provide all the necessary services as required by the students' I.E.P.

Tier II –Code: XX and Days: 000
Enter code only if the student is classified as Specifically Learning Disabled (SD) or Traumatic Brain Injury (BI) or Cognitively Impaired-Mild (CMD) or Preschool Disabled (PD).

Tier III- Code: XX and Days: 000

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

Enter code only if the student is classified as Cognitively Impaired-Moderate (CIM) or Emotionally Disturbed (ED) or Multiply Disabled (MD) or Auditorily Impaired (AI) or Orthopedically Impaired (OI) or Communication Impaired (CI) or Other Health Impaired (HI) or Visually Impaired (VI). Enter the number of days the student received the service during Session 2.

Tier IV- Code: XX and Days: 000
Enter code only if the student is classified as autistic (AUT), or Cognitively Impaired-Severe (CIS) or Intensive Services (IS). Enter the number of days the student received the service during Session 2.

ATTACHMENT TWO

Charter School Enrollment System - Student Information Update

District Responsibility (district where the student resides):

Charter schools are required to notify the district if student records require district input of the assigned district school code. All students enrolled during Session 2 must be identified as registered students in the district. The district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field.

Districts can enter this data by taking the following steps.

1. Access the DOE NET Charter School Enrollment System and Choose Option 4 -Student Info – Update Assign District School Code for 999 & 000.

2. Enter the 4-digit code of the Charter School.
   The system will bring up each individual student record that contains a 000 or 999 in the Assigned District Code field.

   If you are unable to access Option 4, choose Option 2-Student Info. Entry.

   The system will ask you to enter the charter school 4-digit number.
   On Screen 1, enter your 2-digit county code and 4-digit school district code.

   Enter User Option **(C) hange**. The system will ask you to enter the student's last name. If no name is entered, the system will bring up the first student record in alpha order on the next screen, the Student Enrollment Information Screen.
   In the Student Enrollment Screen and proceed, as follows:

3. ENTER the 3-digit Assigned District School Code. All students must be assigned a school in the district (in addition to the charter school assignment). (i.e. enter the code of the district school that the student would be attending if he/she were not attending the charter school.

4. Enter "999" in the Assigned Dist School Code field if the student is not a resident of the district or if the student record is a duplicate record of a student record with an appropriate Assigned Dist. School Code. "000" in this field indicates that the district has taken no action on the student record. **It should be noted that student records containing a "999" or "000" code will not be included in the calculation of school based aid payment.**

This data must be completed by October 31, 2003. System users will be locked out of the database at time.

If you require assistance, contact Nicole Kane at (609) 984-5929, Charles Kahil at (609) 292-5168, Karina Bielaus at (609) 341-5299 or Kathy Ambrosio at (609) 341-5298.

State of New Jersey

DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY
Governor

WILLIAM L. LIBRERA
Commissioner

January 22, 2004

TO: Charter School Lead Person
Resident and Non Resident School Districts

FROM: Yut'se Thomas, Director
Office of School Funding

SUBJECT: February 15, 2004 Enrollment Counts

This memo serves as a timeline for submission of Session 3 student enrollment data through the department's DOENET system.

Date	Responsibility	Action Item
Feb 9 – Feb. 11	All Charter Schools	Provide to the Department of Education the number of Session 3 days via fax. The days in Session 3 are defined as the number of days students were in school receiving instruction from the first day of school up to and including February 15 (February 13, since February 15 falls on a Sunday).
Feb. 12 – Feb. 13	Department of Education	Update Session 3 days for all charter schools. File initialized for Session 3 by automatically entering ENROLLED DAYS on each student record.
Feb. 16 – Feb. 20 DOENET *open for changes needed for each student record and to enter new students not in the system*	Charter School	Modify student enrollment data as needed. Because the Department automatically populated the ENROLLED DAYS, the charter school needs to only change the records of those students who were not enrolled in the full session. (E.g. a student dropped out of the school in December or a new student entered the charter school in January.) Reminder: Place a "D" in the ACTION field <u>and</u> change the number of enrolled days if student dropped from enrollment after the first day of school. DO NOT DELETE any student records from the system. Upon completing the file update, the charter schools must notify districts to enter assigned district school codes for new and uncertified students.

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Date	Responsibility	Action Item
Feb. 23 - Feb. 27 DOENET *open for school district input*	Resident/ Nonresident School District	Check Screen 4. –Update Assigned District school code for 999 and 000 to access subset of students requiring certification of residency. If unable to access Screen 4, utilize Screen 2 and follow instructions on Attachment 2.
March 1– March 5	Charter Schools Resident/ Nonresident School District	Charter school and district personnel work together to resolve any discrepancies.
March 8		DOENET closed to charter schools and resident/ nonresident school districts
March 8 - March 26 DOENET *Charter Schools and districts locked out*	Department of Education	Department will calculate revised payment schedules and notify the resident and nonresident districts.

Please review the attachments to this memorandum. They provide information you will need in order to complete the Session 3 update. Attachment One describes information needed in each field. Attachment Two describes the action to be taken by the school district to certify a student's residency.

Timely distribution of the revised payment schedules depends on strict adherence to the deadlines outlined above. For this reason it is recommended that you immediately contact the DOE Technical Assistance Help Line at (609) 984-6794 or your county office to make arrangements to complete the file update from that site should you encounter any problems accessing the DOENET. Failure to update the system will result in payment schedules that reflect the student data as of the October 15, 2003 enrollment count.

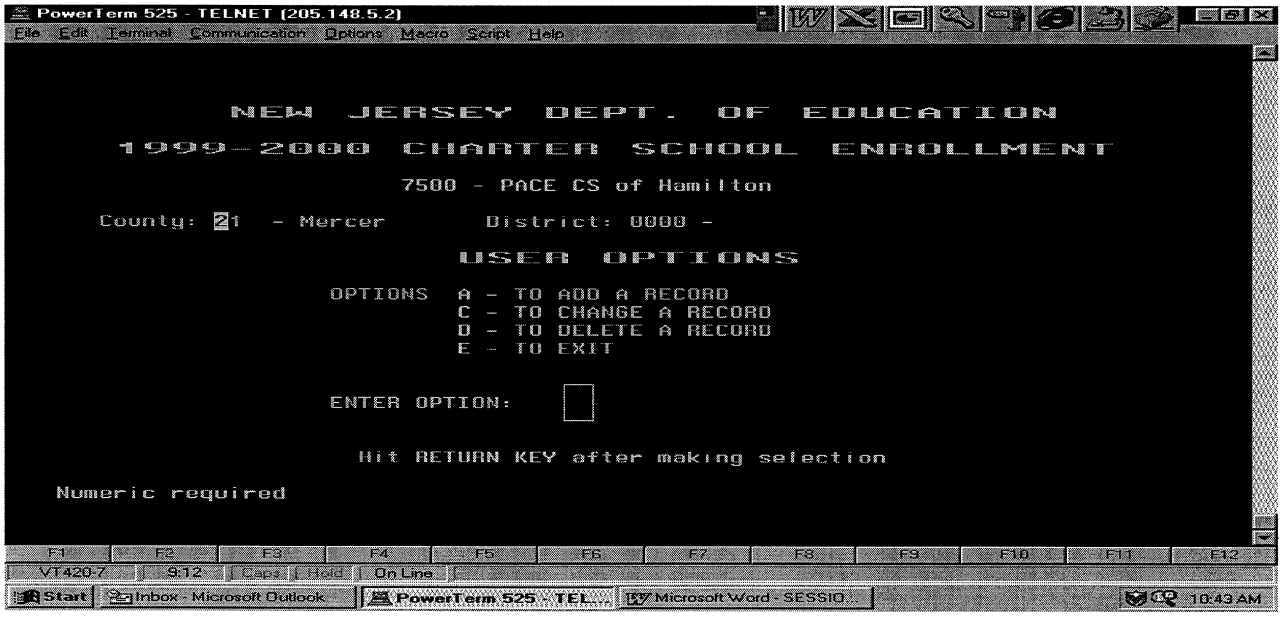
If you have any technical questions or require assistance you may call Kathy Ambrosio at (609) 341-5298, Karina Bielaus at (609) 341-5299, Charles Kahil at (609) 292-5168 or Nicole Kane at (609)-984-5929.

YT/charter schoolsz/Finance/2003-04/enrollment counts/session 3/03-04 Feb schedule
Attachments
c: Richard Rosenberg
Michael Klavon
Regional County Offices
County Superintendents
Yut'se Thomas
Rochelle Hendricks

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Student Information Entry Screen - 1



ENTER ONE OF THE FOLLOWING OPTIONS:

If **(A) dd** is chosen – you will be brought to the Student Enrollment Information Screen where you will enter information for students who were not included in the list of registered students for Session 3.

If **(C) hange** is chosen – the system will ask you to enter the student's last name. If no name is entered the system will bring up the first student record in alpha order on the next screen (Student Enrollment Information Screen).

(D) elete -This field is not available to the charter school. For duplicate records or if a student has left the charter school or never came to the school, follow the instructions for the "Action Field" on the Student Enrollment Information Screen.

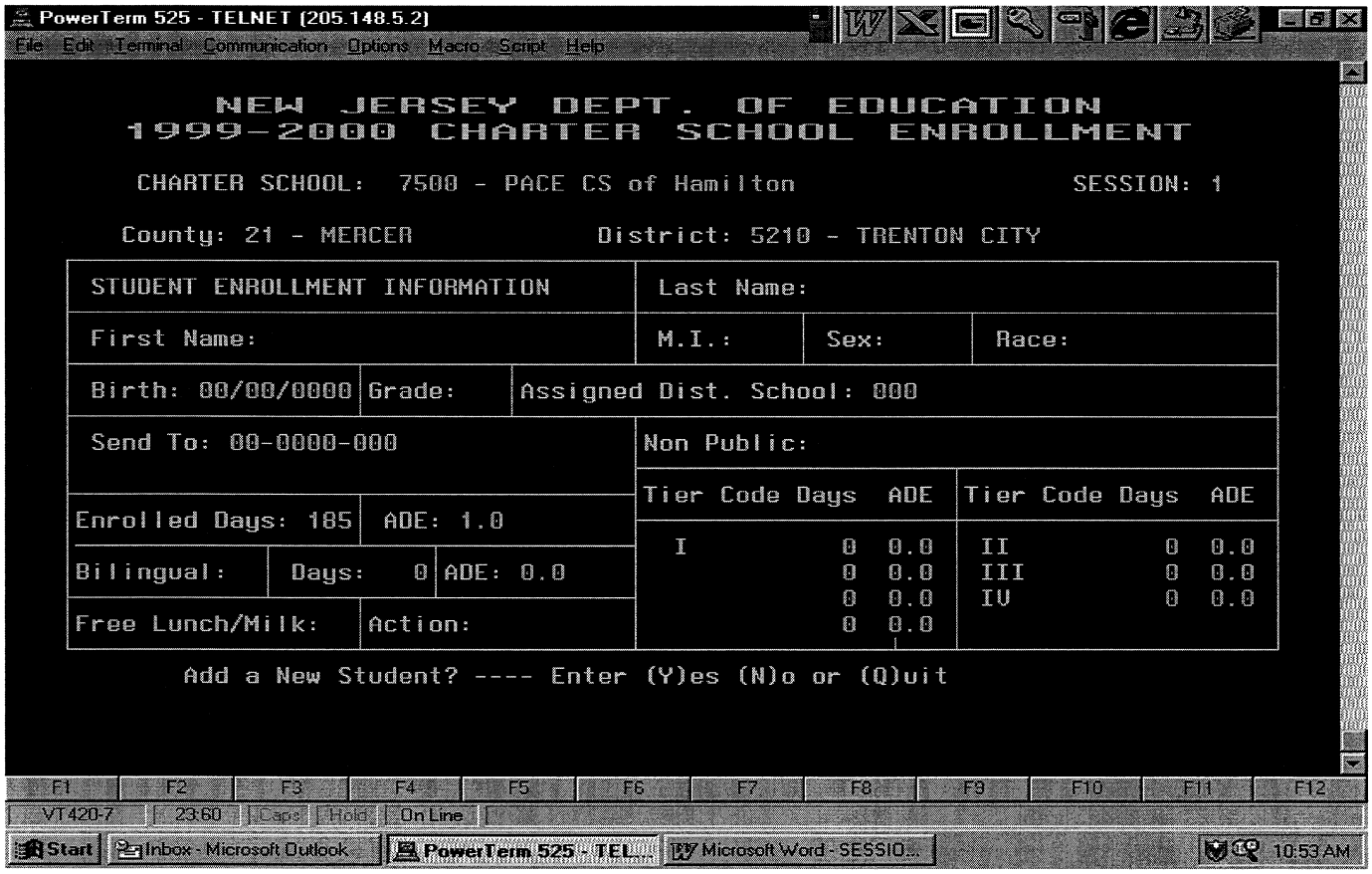
*** Important Reminders ***

- **The non-public school field must be populated on each student record.**
- Charter school users do not have access to the "Assigned School Code and the Send To Code" fields. This information can only be changed/completed by school districts. All students enrolled during Session 3 must be identified as registered students in the district. The School district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field. The District is required to enter an Assigned School Code for non-public students who are registered in the district.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

The district will enter "999" in the Assigned school code field if the student does not belong to the district. "000" in this field indicates that the district has taken no action on the student record. Student records containing a "999" or "000" code will not be included in the calculation of school based aid payment. It is therefore imperative that charter schools immediately contact the school district to have this information entered for newly added student records and/or corrected as necessary for other student records.

Student Information Entry Screen - 2



""ENROLLED DAYS"": 000
The total number of days in Session 3 will be displayed (e.g. 110 days). (Session 3 runs from the first day of school up to and including February 15, 2004.) With the exception of Session 1, charter school users must modify this data if the actual number of days the student was enrolled during the session differs from the number displayed. (E.g., Session 3 = 100 days, but the student transfers out after 70 days, you must change the "ENROLLED DAYS" from 100 to 70. If the student never came to the charter school the number of enrolled days must be changed to zero and a "D" must be entered in the ACTION field. **The charter school is responsible for the accuracy of all data and therefore must review and modify, as needed the number of "ENROLLED DAYS" on each student record.**

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

Non-Public School XXXXXXXXXXXXXXXXXXXX
The non-public school field on each student record must contain an entry. The system will not process the record if this field is left blank.

If the student came to the charter school from a public school enter one of the following in the non-public field:

- the word "Public"
- the letter "P"

If the student came to the charter school from a non- public school such as a parochial, private school or home school, enter the name of the non-public school in the non-public field. For example, Saint XXXXX or XXXXXXX Prep School.

NOTE: Transfers from another charter school are coded as "P" for public school in the non-public field.

Free or Reduced Lunch/Milk: X
ENTER (F) to indicate a student's eligibility for Free or Reduced Lunch or Milk. Those are children who have been determined to be eligible to receive free or reduced meals or milk under the National School Lunch Act and the Child Nutrition Act., as evidenced by a valid "Application for Free and Reduced Price Meals" or "Free Milk" on file Enter (R) to indicate a student's eligibility for Reduced lunch or Milk. This field must be left blank if the student is not eligible.

Sex: X
ENTER (M) male or (F) female. The sex field must be completed for each student.

Race: X
The Fall Survey application requires student counts by racial/ethnic origin. Mandated by the federal government, these standard classifications were developed in order to collect and exchangeable racial and ethnic data for use by the federal agencies. For the purposes of the fall survey reports, a student is to be included in the group to which he or she appears to belong, identifies with, or is regarded in the community as belonging to. However, no individual can be counted in more than one racial ethnic category. The definitions of these categories are as follows:

Code	Definitions
W	White, Not of Hispanic Origin. An individual having origins in any of the original peoples of Europe, North Africa, and the Middle East.
B	Black, Not of Hispanic Origin. A person having origins in any of the black groups of Africa.
H	Hispanic. A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture origin, regardless of race.
I	American Indian or Alaskan Native. A person having origins in any of the original peoples of North American.
A	Asian or Pacific Islander. A person having origins in any of the original peoples of the Far East, South-East Asia, the Pacific Islands or the Indian subcontinent. This includes, for example, China, Japan, Korea, the Philippine Islands, Samoa and India.

The Student Information – Display All Students in A Grade Screen, which lists all the students in specific grade, can be used to check for completion of the sex and race data for each student.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

Bilingual: X Days 000
ENTER (Y)es to indicate a that a student is eligible for bilingual aid and is receiving appropriate bilingual services. This field must be left blank if student is not eligible. The charter school must enter the (number of) "Days" that student received bilingual services during Session 3. A student is eligible for bilingual aid if he/she is identified as Limited English Proficient (LEP) in accordance with N.J.A.C.6: 31-1.2, participating in a bilingual/ESL program or a program of English Language Services.

Action: X
ENTER (D) if a student is no longer enrolled in the charter school. The system will only accept (D) in this field.
The "ENROLLED DAYS"" must also be adjusted to accurately reflect the number of days the student was enrolled during Session 3 for purpose of calculating ADE and payments owed on behalf of the student during Session 3.

Tier Code: XXX and Days: 000
Refer to the Special Education section of the Charter School Enrollment System User Manual for additional information pertaining to categorical aid for special education

Tier I Code : XX and Days: 000
Enter the specific service (e.g. OT for Occupational Therapy) for the first service. If the child's I.E.P. requires more than one service then use the other fields within the Tier I section for each additional service. Enter the number of days the student received the service during Session 3.

Tier I relates to those pupils classified **for other than speech correction services** resident in the district which receive related services including, but not limited to, occupational therapy, physical therapy, speech and counseling.

Only classified students are eligible for Tier I aid and **only up to four services**. This does not mean that for the student, if the I.E.P. requires more than four services or the student is not classified special education that these services are not provided to the student. The charter school **must** provide all the necessary services as required by the students' I.E.P.

Tier II –Code: XX and Days: 000
Enter code only if the student is classified as Specific Learning Disabled (SD) or Traumatic Brain Injury (BI) or Cognitively Impaired-Mild (CMD) or Preschool Disabled (PD).

Tier III- Code: XX and Days: 000
Enter code only if the student is classified as Cognitively Impaired-Moderate (CIM) or Emotionally Disturbed (ED) or Multiply Disabled (MD) or Auditorily Impaired (AI) or Orthopedically Impaired (OI) or Communication Impaired (CI) or Other Health Impaired (HI) or Visually Impaired (VI). Enter the number of days the student received the service during Session 3.

Tier IV- Code: XX and Days: 000
Enter code only if the student is classified as autistic (AUT), or Cognitively Impaired-Severe (CIS) or Intensive Services (IS). Enter the number of days the student received the service during Session 3.

ATTACHMENT TWO

Charter School Enrollment System - Student Information Update

District Responsibility (district where the student resides):

Charter schools are required to notify the district if student records require district input of the assigned district school code. All students enrolled during Session 3 must be identified as registered students in the district. The district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field.

Districts can enter this data by taking the following steps.

1. Access the DOE NET Charter School Enrollment System and Choose Option 4 -Student Info – Update Assign District School Code for 999 & 000.

2. Enter the 4-digit code of the Charter School.
   The system will bring up each individual student record that contains a 000 or 999 in the Assigned District Code field.

   If you are unable to access Option 4, choose Option 2-Student Info. Entry.

   The system will ask you to enter the charter school 4-digit number.
   On Screen 1, enter your 2-digit county code and 4-digit school district code.

   Enter User Option **(C) hange**. The system will ask you to enter the student's last name. If no name is entered, the system will bring up the first student record in alpha order on the next screen, the Student Enrollment Information Screen.
   In the Student Enrollment Screen and proceed, as follows:

3. ENTER the 3-digit Assigned District School Code. All students must be assigned a school in the district (in addition to the charter school assignment). (i.e. enter the code of the district school that the student would be attending if he/she were not attending the charter school.

4. Enter "999" in the Assigned Dist School Code field if the student is not a resident of the district. "000" in this field indicates that the district has taken no action on the student record. **It should be noted that student records containing a "999" or "000" code will not be included in the calculation of school based aid payment.**

This data must be completed before March 8, 2004. System users will be locked out of the database at time. Contact Kathy Ambrosio at (609) 341-5298, Karina Bielaus at (609) 341-5299, Charles Kahil at (609) 292-5168 or Nicole Kane at (609) 984-5929 if you require assistance.

State of New Jersey

DEPARTMENT OF EDUCATION
PO BOX 500
TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY
Governor

WILLIAM L. LIBRERA
Commissioner

June 25, 2004

TO: Charter School Lead Person
Resident and Non Resident School Districts

FROM: Yut'se Thomas, Director
Office of School Funding

SUBJECT: Final 2003-2004 Enrollment Counts

This memo serves as a timeline for submission of Session 4 student enrollment data through the department's DOENET system.

Date	Responsibility	Action Item
July 1 – July 2	All Charter Schools	Provide to the Department of Education the number of Session 4 days via fax. The days in Session 4 are defined as the number of days students were in school receiving instruction from the first day of school up to and including the last day of school.
July 6 – July 7	Department of Education	Update Session 4 days for all charter schools. File initialized for Session 4 by automatically entering ENROLLED DAYS on each student record.
July 8 – July 14 DOENET *open for changes needed for each student record and to enter new students not in the system*	Charter School	Modify student enrollment data as needed. Because the Department automatically populated the ENROLLED DAYS, the charter school needs to only change the records of those students who were not enrolled in the full session. (E.g. a student dropped out of the school in March or a new student entered the charter school in April.) Reminder: Place a "D" in the ACTION field and change the number of enrolled days if student dropped from enrollment after the first day of school. DO NOT DELETE any student records from the system. Upon completing the file update, the charter schools must notify districts to enter assigned district school codes for new and uncertified students.

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Date	Responsibility	Action Item
July 15-July 21 DOENET *open for school district input*	Resident/ Nonresident School District	Check Screen 4. –Update Assigned District school code for 999 and 000 to access subset of students requiring certification of residency. If unable to access Screen 4, utilize Screen 2 and follow instructions on Attachment 2.
July 22 – July 28	Charter Schools Resident/ Nonresident School District	Charter school and district personnel work together to resolve any discrepancies.
July 29	Department of Education	DOENET closed to charter schools and resident/ nonresident school districts
July 30-Aug. 6 DOENET *Charter Schools and districts locked out*	Department of Education	Department will calculate revised payment schedules and notify the resident and nonresident districts.

Please review the attachments to this memorandum. They provide information you will need in order to complete the Session 4 update. Attachment One describes information needed in each field. It also includes reminders about the importance of entering student information relating to free lunch/free milk and sex and race. Attachment Two describes the action to be taken by the school district to certify a student's residency.

Timely distribution of the revised payment schedules depends on strict adherence to the deadlines outlined above. For this reason it is recommended that you immediately contact the DOE Technical Assistance Help Line at (609) 984-6794 or your county office to make arrangements to complete the file update from that site should you encounter any problems accessing the DOENET. Failure to update the system will result in payment schedules that reflect the student data as of the February 15, 2004 enrollment count.

Charter schools are reminded that, in addition to entering the required student information and applicable low income, special education and bilingual education data into the DOENET, the information must be submitted separately to the resident and non-resident districts for ASSA reporting purposes.

If you have any technical questions or require assistance you may call Kathy Ambrosio at (609) 341-5298, Charles Kahil at (609) 292-5168, Nicole Kane at (609) 984-5929 or Karina Bielaus at (609) 341-5299.

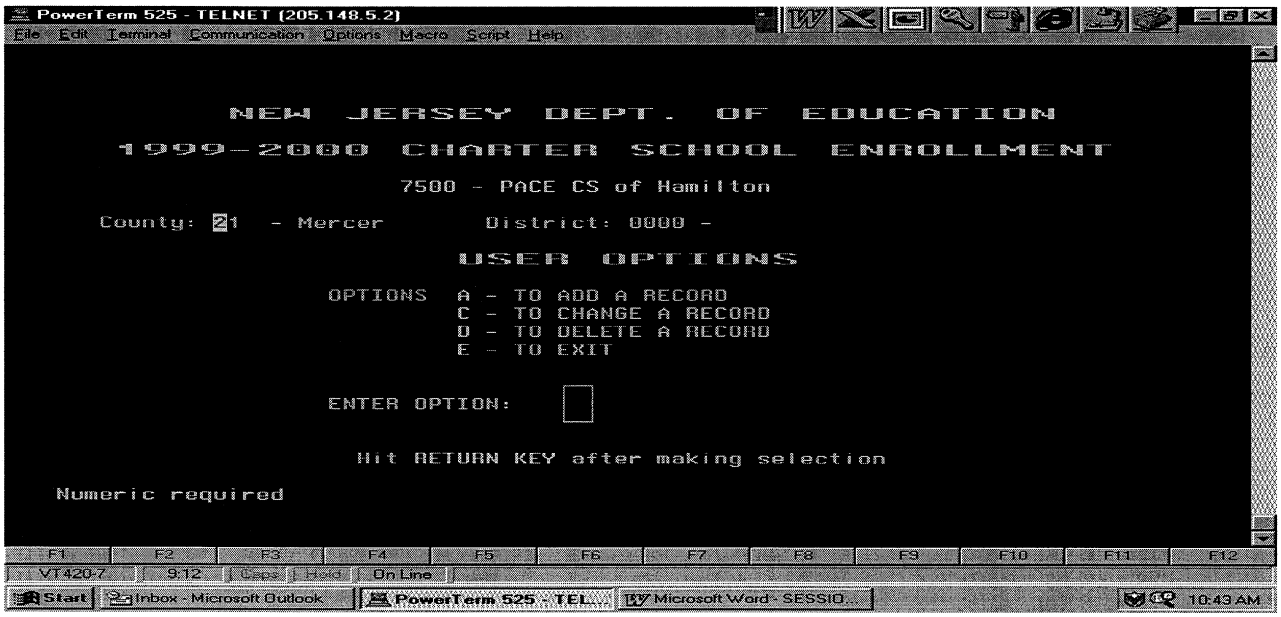
YT/nk/finance/2003-04/enrollment count/session 4/03-043 Final enrollment calendar

Attachments
c: Michael Klavon
County Superintendents

ATTACHMENT ONE

Charter School Enrollment System - Student Information Update

Student Information Entry Screen - 1



ENTER ONE OF THE FOLLOWING OPTIONS:

If **(A) dd** is chosen – you will be brought to the Student Enrollment Information Screen where you will enter information for students who were not included in the list of registered students for Session 4.

If **(C) hange** is chosen – the system will ask you to enter the student's last name. If no name is entered the system will bring up the first student record in alpha order on the next screen (Student Enrollment Information Screen).

(D) elete -This field is not available to the charter school. For duplicate records or if a student has left the charter school or never came to the school, follow the instructions for the "Action Field" on the Student Enrollment Information Screen.

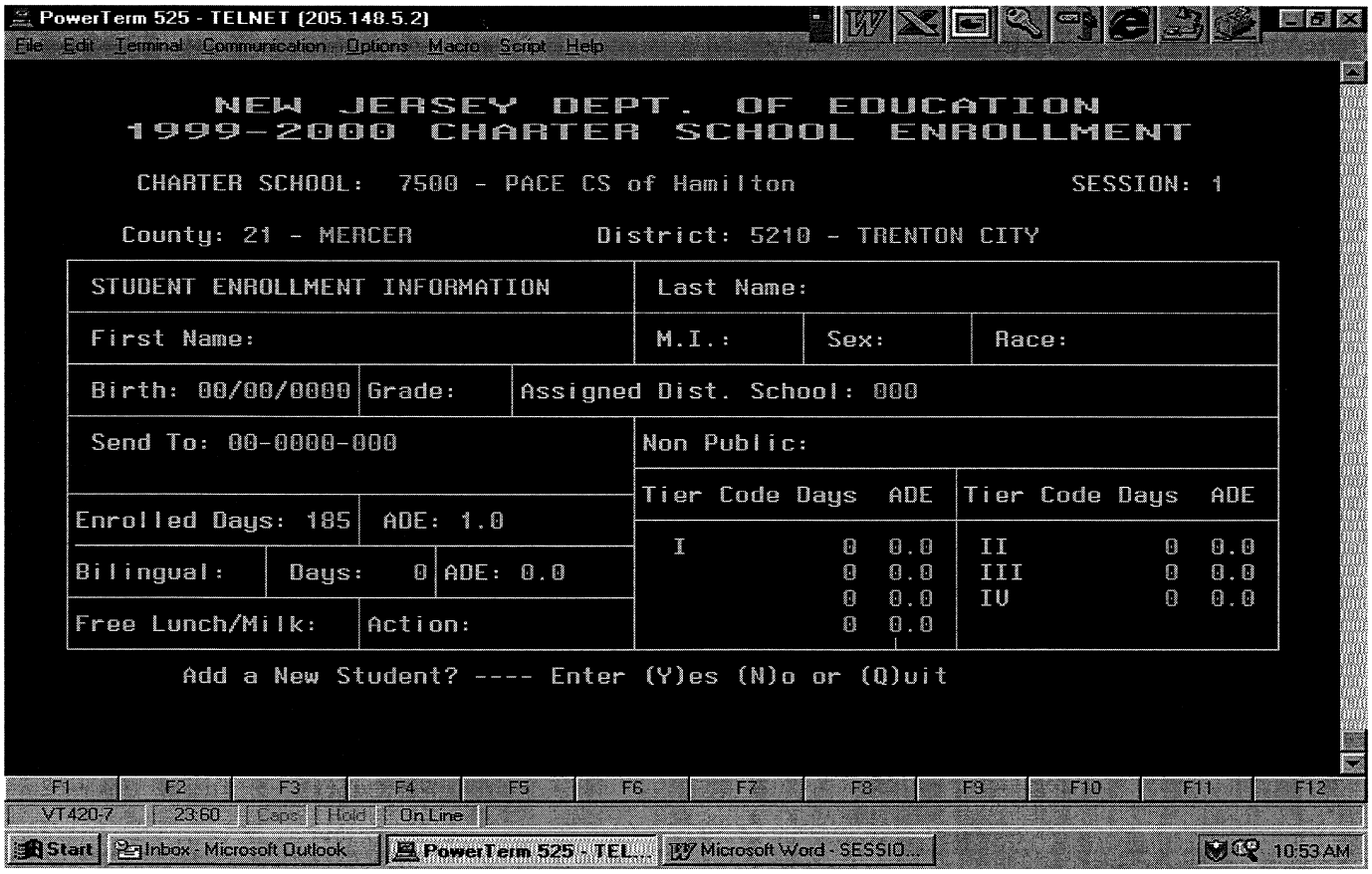
*** Important Reminders ***

- **The non-public school field must be populated on each student record.**
- Charter school users do not have access to the "Assigned School Code and the Send To Code" fields. This information can only be changed/completed by school districts. All students enrolled during Session 4 must be identified as registered students in the district. The School district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field. The District is required to enter an Assigned School Code for non-public students who are registered in the district.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

The district will enter "999" in the Assigned school code field if the student does not belong to the district. "000" in this field indicates that the district has taken no action on the student record. Student records containing a "999" or "000" code will not be included in the calculation of school based aid payment. It is therefore imperative that charter schools immediately contact the school district to have this information entered for newly added student records and/or corrected as necessary for other student records.

Student Information Entry Screen - 2



""ENROLLED DAYS"": 000
The total number of days in Session 4 will be displayed (e.g. 180 days). (Session 4 runs from the first day of school up to and including the last day of school). With the exception of Session 1, charter school users must modify this data if the actual number of days the student was enrolled during the session differs from the number displayed. (E.g., Session 4 = 180 days, but the student transfers out after 150 days, you must change the "ENROLLED DAYS" from 180 to 150 and a "D" must be entered in the ACTION field). If the student never came to the charter school the number of enrolled days must be changed to zero and a "D" must be entered in the ACTION field. **The charter school is responsible for the accuracy of all data and therefore must review and modify, as needed the number of "ENROLLED DAYS" on each student record.**

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

Non-Public School XXXXXXXXXXXXXXXXXXXXX
The non-public school field on each student record must contain an entry. The system will not process the record if this field is left blank.

If the student came to the charter school from a public school enter one of the following in the non-public field:

- the word "Public"
- the letter "P"

If the student came to the charter school from a non- public school such as a parochial or private school or home schooled enter the name of the non-public school in the non-public field. For example, Saint XXXXX or XXXXXXX Prep School.

NOTE: Transfers from another charter school are coded as "P" for public school in the non-public field.

Free or Reduced Lunch/Milk: X
ENTER (F) to indicate a student's eligibility for Free or Reduced Lunch or Milk. Those are children who have been determined to be eligible to receive free or reduced meals or milk under the National School Lunch Act and the Child Nutrition Act., as evidenced by a valid "Application for Free and Reduced Price Meals" or "Free Milk" on file Enter (R) to indicate a student's eligibility for Reduced lunch or Milk. This field must be left blank if the student is not eligible.

Sex: X
ENTER (M) male or (F) female. The sex field must be completed for each student.

Race: X
The Fall Survey application requires student counts by racial/ethnic origin. Mandated by the federal government, these standard classifications were developed in order to collect compatible, non-duplicated, and exchangeable racial and ethnic data for use by the federal agencies. For the purposes of the fall survey reports, a student is to be included in the group to which he or she appears to belong, identifies with, or is regarded in the community as belonging to. However, no individual can be counted in more than one racial ethnic category. The definitions of these categories are as follows:

Code	Definitions
W	White, Not of Hispanic Origin. An individual having origins in any of the original peoples of Europe, North Africa, and the Middle East.
B	Black, Not of Hispanic Origin. A person having origins in any of the black groups of Africa.
H	Hispanic. A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture origin, regardless of race.
I	American Indian or Alaskan Native. A person having origins in any of the original peoples of North American.
A	Asian or Pacific Islander. A person having origins in any of the original peoples of the Far East, South-East Asia, the Pacific Islands or the Indian subcontinent. This includes, for example, China, Japan, Korea, the Philippine Islands, Samoa, and India.

The Student Information – Display All Students in A Grade Screen, which lists all the students in specific grade, can be used to check for completion of the sex and race data for each student.

ATTACHMENT ONE
Charter School Enrollment System - Student Information Update

Bilingual: X Days 000
ENTER (Y)es to indicate a that a student is eligible for bilingual aid and is receiving appropriate bilingual services. This field must be left blank if student is not eligible. The charter school must enter the (number of) "Days" that student received bilingual services during Session 4. A student is eligible for bilingual aid if he/she is identified as Limited English Proficient (LEP) in accordance with N.J.A.C.6: 31-1.2, participating in a bilingual/ESL program or a program of English Language Services.

Action: X
ENTER (D) if a student is no longer enrolled in the charter school. The system will only accept (D) in this field.
The "ENROLLED DAYS"" must also be adjusted to accurately reflect the number of days the student was enrolled during Session 4 for purpose of calculating ADE and payments owed on behalf of the student during Session 4.

Tier Code: XXX and Days: 000
Refer to the Special Education section of the Charter School Enrollment System User Manual for additional information pertaining to categorical aid for special education

Tier I Code : XX and Days: 000
Enter the specific service (e.g. OT for Occupational Therapy) for the first service. If the child's I.E.P. requires more than one service then use the other fields within the Tier I section for each additional service. Enter the number of days the student received the service during Session 4.

Tier I relates to those pupils classified **for other than speech correction services** resident in the district which receive related services including, but not limited to, occupational therapy, physical therapy, speech and counseling.

Only classified students are eligible for Tier I aid and **only up to four services**. This does not mean that for the student, if the I.E.P. requires more than four services or the student is not classified special education that these services are not provided to the student. The charter school **must** provide all the necessary services as required by the students' I.E.P.

Tier II –Code: XX and Days: 000
Enter code only if the student is classified as Specific Learning Disabled (SD) or Traumatic Brain Injury (BI) or Cognitively Impaired-Mild (CMD) or Preschool Disabled (PD).

Tier III- Code: XX and Days: 000
Enter code only if the student is classified as Cognitively Impaired-Moderate (CIM) or Emotionally Disturbed (ED) or Multiply Disabled (MD) or Auditorily Impaired (AI) or Orthopedically Impaired (OI) or Communication Impaired (CI) or Other Health Impaired (HI) or Visually Impaired (VI). Enter the number of days the student received the service during Session 4.

Tier IV- Code: XX and Days: 000
Enter code only if the student is classified as autistic (AUT), or Cognitively Impaired-Severe (CIS) or Intensive Services (IS). Enter the number of days the student received the service during Session 4.

ATTACHMENT TWO

Charter School Enrollment System - Student Information Update

District Responsibility (district where the student resides):

Charter schools are required to notify the district if student records require district input of the assigned district school code. All students enrolled during Session 4 must be identified as registered students in the district. The district certifies that a student is registered in the district by entering the Assigned District School Code: XXX or the Send To: XX – XXXX – XXX information. Note that the "Send To" fields are only completed if the district has a formal sending/receiving relationship with another district. In such cases the district will need to enter the county, district and the assigned district school codes in this field.

Districts can enter this data by taking the following steps.

1. Access the DOE NET Charter School Enrollment System and Choose Option 4 -Student Info – Update Assign District School Code for 999 & 000.

2. Enter the 4-digit code of the Charter School.
   The system will bring up each individual student record that contains a 000 or 999 in the Assigned District Code field.

   If you are unable to access Option 4, choose Option 2-Student Info. Entry.

   The system will ask you to enter the charter school 4-digit number.
   On Screen 1, enter your 2-digit county code and 4-digit school district code.

   Enter User Option **(C) hange**. The system will ask you to enter the student's last name. If no name is entered, the system will bring up the first student record in alpha order on the next screen, the Student Enrollment Information Screen.
   In the Student Enrollment Screen and proceed, as follows:

3. ENTER the 3-digit Assigned District School Code. All students must be assigned a school in the district (in addition to the charter school assignment). (i.e. enter the code of the district school that the student would be attending if he/she were not attending the charter school.

4. Enter "999" in the Assigned Dist School Code field if the student is not a resident of the district. "000" in this field indicates that the district has taken no action on the student record. **It should be noted that student records containing a "999" or "000" code will not be included in the calculation of school based aid payment.**

This data must be completed before July 29, 2004. System users will be locked out of the database at time. Contact Kathy Ambrosio at (609) 341-5298, Karina Bielaus at (609) 341-5299, Charles Kahil at (609) 292-5168 or Nicole Kane at (609) 984-5929 if you require assistance.