



State of New Jersey
DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

June 9, 2011

TO: Directors, Private Schools for Students with Disabilities

FROM: Yut'se O. Thomas, Acting Assistant Commissioner
Division of Finance & Regulatory Compliance *Yut'se O. Thomas*

SUBJECT: Annual Information - Fiscal Year 2011-2012 - Private Schools for Students with Disabilities - Related Party Transactions

In accordance with N.J.A.C. 6A:23A-18.5(a)47, a related party transaction is defined as a transaction between parties in which one party to the transaction is able to control or substantially influence the actions of the other. Such transactions are defined by the relationship of the parties and include, but are not limited to, those between divisions of an institution; institutions or organizations under common control through common officers, directors, or members; and an institution and a director, trustee, officer, or key employee of the institution or his or her immediate family either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. In accordance with N.J.A.C. 6A:23A-18.5(a)47, a cost which is not allowable in the calculation of the certified actual cost per student includes rental costs for buildings and equipment in excess of the actual allocated costs of ownership incurred by the related property owner including a 2.5 percent return calculated on the actual costs of ownership incurred by the related party.

Attached please find a copy of the Department of Education's prescribed cost of ownership format for related party transactions (real and personal property) involving private schools for students with disabilities. If a private school for students with disabilities is involved in a related party transaction (real and/or personal property), this form must be prepared by the lessor, attached to the lease agreement with copies of both forwarded to the Department of Education by the private school for every year a related party transaction exists.

The attached form must be completed by the lessor and must include the anticipated costs of ownership, which pertain to the real or personal property leased by the private school for students with disabilities. Until the lessor provides a final year-end accounting of the actual costs of ownership, the private school's accounting records may only reflect an allowable lease expense of an amount less than or equal to the "Total Lease Amount" shown in column (2) "Allocated to Private School Lease," on page 3 of this format. The lease expense, which may be included in the certified actual cost per pupil, is limited to the final year-end actual costs of ownership incurred by the related party plus a 2.5 percent return on the actual costs of ownership. The related party must provide this information to the private school for students with disabilities.

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In addition to the form being signed by the property owner, notarized and made part of the lease, a completed copy of the notarized form along with a copy of the lease must be forwarded to the address below:

Ms. Teresa Harris, Secretary
New Jersey State Department of Education
Division of Finance & Regulatory Compliance
Office of Fiscal Policy and Planning
P.O. Box 500
Trenton, NJ 08625-0500

Please forward this completed form for the 2011-2012 school year to the above address by July 18, 2011. If a private school for students with disabilities enters into a related party transaction during the school year, a completed form must be filed within 60 days of the transaction.

Please forward this information to the appropriate personnel in the school's administrative offices including the school business manager.

If you have any questions concerning this form, please contact Elise Sadler-Williams at (609) 777-4483 or Elise.Sadler-Williams@doe.state.nj.us, or Teresa Harris at (609) 943-4115 or Teresa.harris@doe.state.nj.us

YOT/PA/JV/eswG:\Audit Programs\2011-2012 Audit Program\Appendices\Appendix P Related Party Transactions Memo.doc
Attachment

c: Barbara Gantwerk
Robert J. Cicchino
Patricia C. Scott
John Worthington
Lisa McCormick
Elaine Lerner
Jim Verner
Elise Sadler-Williams