



# STATE OF NEW JERSEY DEPARTMENT OF EDUCATION

## **Reading and Understanding the 2024-25 Report of the Board Secretary**

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## Introduction

New Jersey State statute (*N.J.S.A. 18A:17-9*) and administrative code (*N.J.A.C. 6A:23A-16.2(h)*) require that the board secretary prepare monthly financial statement and reports on the district and present them to the Board of Education at each regular meeting. A detailed look at the Report of the Board Secretary is discussed in this document.

## History

Effective July 1, 1993, districts were required to utilize an accounting system consistent with the generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and adopt a new chart of accounts. The [New Jersey chart of accounts](#) is modified periodically to align with the National Center for Education Statistics (NCES) report “Financial Accounting for Local and State School Systems.” This manual and the sample reports are up to date through the 2024-25 edition of The New Jersey Chart of Accounts. In 2022-23, a requirement was added to include separate columns for original budget certified for taxes and for mid-year budget transfers, to calculate to the budgeted amounts as of the date of the report. This will aid auditors and county offices with the requirements regarding approval of budget transfers under *N.J.S.A. 18A:22-8.1* and *N.J.A.C. 6A:23A-13.3*, as well as make budget changes more transparent to the users of the monthly report.

## Overview of the Report of the Board Secretary

The Report of the Board Secretary is an interim financial report that provides the board of education and district administrators with an overall picture of the financial status of the district. It assists the board of education in ensuring that estimated revenues are being sufficiently realized to support current operations, that the actual expenditures do not exceed approved appropriations, and promotes a better awareness of the budget-to-actual status. Additionally, through an updated monthly listing of assets, liabilities, and equity, it provides information on what is known as the financial position of the district; that is, what it owns, what it owes, and the status of its surplus. Under a double-entry system, these balances are updated as transactions are recorded.

The Report of the Board Secretary is organized in a manner that provides a layering of detail. It is comprised of four components:

- 1) The Interim Balance Sheet;
- 2) The Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date;
- 3) The Schedule of Revenues — Actual Compared with Estimated; and
- 4) The Statement of Appropriations Compared with Expenditures and Encumbrances.

The Interim Balance Sheet is a listing of the balances reflected in the general ledger for the asset, liability, budgetary, and equity accounts as of that date. Certain of those accounts are “control” accounts used to provide summarized information regarding the budget-to-actual status of the district’s annual budget. A control account is a summary of the balances of individual accounts. The detail of that summary account is maintained in a subsidiary ledger. In other words, the amount shown in the balance sheet for appropriations is the total of all the budgeted appropriations for the individual expenditure accounts that make up a district’s budget maintained in the accounting system’s subsidiary expenditure ledger. The summary total from the general ledger is shown in the Interim Balance Sheet and the more detailed breakout coming from the expenditure ledger is provided in the Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date. The level of detail shown in that report is the same as that presented in the district’s advertised budget. Just as the annual budget contains a section that provides a detail of the advertised appropriations, the Report of the Board Secretary contains a further level of detail in the Statement of Appropriations Compared with Expenditures and Encumbrances. The reader can reference each section of the report as needed, depending on the level of detail desired. However, all sections of the Report of the Board Secretary must be presented to the board.

The information presented is merely a listing of all general ledger account balances as of month-end. In other words, the Report of the Board Secretary is a by-product of the district’s accounting system. In order to prepare the Report of the Board Secretary, it is not necessary to make any specialized journal entries or any special computations. The double-entry accounting system maintains up-to-date balances for all accounts as transactions are recorded. The report can be prepared manually, by simply jotting down the various month-end balances or by using a computer program that prints the month-end account balances in the corresponding fields of the Report of the Board Secretary.

The amounts reported in the Appropriations column of the prescribed format of the report reflect the budgeted appropriation amounts as of that month-end; similar to the presentation of the middle column of the annual school district budget statement. The figures presented are the certified budget amounts adjusted for any board approved transfers. Separate columns must be included for original budget certified for taxes and for mid-year budget transfers, to calculate to the budgeted amounts as of the date of the report. Also, the budget data is cumulative. Only year to date information is presented.

## **Concepts of Fund Accounting and Modified Accrual Basis**

The New Jersey Chart of Accounts and the Report of the Board Secretary are organized applying the concept of fund accounting. Funds are defined as independent or stand-alone accounting entities maintaining a self-balancing set of accounts. Three general categories of funds are used to account for a district’s fiscal activities. They are:

- 1) Governmental,
- 2) Proprietary, and
- 3) Fiduciary.

Although each of the funds that are applicable to a school district must be maintained in the accounting records of the district, the Report of the Board Secretary is only prepared for the Governmental funds. The format of and need for presentation to the board of reports for the other funds included in the district's accounting records (food service, etc.) is left to the discretion of the board. An individual Report of the Board Secretary is required for the following funds:

### **1. General Fund (Fund 10)**

Accounts for activities that are not specifically designated to another fund. The transactions recorded here would include those for the normal daily operations of the district. Districts must present one Report of the Board Secretary for fund 10.

As shown in the format of the annual school district budget statement, the fund code 10 is used for revenue accounts in the fund 10 Report of the Board Secretary. No further delineation as to character class is required for that type of account. However, appropriation/expenditure accounts must be coded using the following character classes:

#### ***Character Classes***

##### **a. General Current Expense (Character Class Code 11)**

Accounts for all financial resources of the local education agency (LEA) for current expenses, excluding special schools resources, and those accounted for in another fund. Expenditures included here would be regular program instruction costs and the administrative and other support services costs related to providing the district's normal operations.

##### **b. Capital Outlay (Character Class Code 12)**

Accounts for all financial resources of the LEA for capital items supported by current revenues (e.g. the purchase of furniture and equipment as well as remodeling expenditures).

##### **c. Special schools (character class code 13)**

Accounts for all financial resources of the LEA other than state and federal grants for the current expenses of special schools. These would include Summer School, Other Special Schools, Accredited Evening/Adult High School/Post-Graduate, Adult Education — Local, Vocational Evening — Local, and Evening School for the Foreign Born — Local.

The total of these three appropriation/expenditure account character classes will be summarized in the fund 10 budgetary control accounts included in the Interim Balance Sheet. All other general fund balance sheet accounts will also be coded as fund 10.

## **2. School-Based Accounting under Whole School Reform (Fund 15)**

Accounts for school-level data under whole school reform. Districts which have been required to prepare fund 15 school-level information under whole school reform in the past are required to continue fund 15 school-level information in 2024-25.

The Department offers two options for presentation of the fund 15 school-level information under whole school reform:

- **Option 1:** Prepare a Report of the Board Secretary that details appropriations for each school; or
- **Option 2:** Prepare a Report of the Board Secretary that combines all fund 15 into a single report for all schools.

Note: If a district chooses to prepare a combined report (Option 2), the district accounting records must still be maintained at the location level.

## **3. Special Revenue Fund (Fund 20)**

Accounts for the proceeds of specific revenue sources (typically — State and Federal grants) that are legally restricted to expenditures for specified purposes (special projects). It also includes donations from local sources, such as corporations, that are considered restricted projects.

## **4. Capital Projects Fund (Fund 30)**

Accounts for resources used to acquire or construct major capital facilities (other than those of proprietary and fiduciary funds). The source of revenue in this fund would be the sale of bonds, the proceeds from SDA grants, transfers from the general fund to augment grants, etc.

## **5. Debt Service Fund (Fund 40)**

Accounts for the accumulation of resources for, and the payment of, principal and interest on bonds.

## Modified Accrual Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Revenues in these fund types are recognized when “susceptible to accrual” (that means when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred, that is when the goods have been received or the services have been rendered. An understanding of this concept is important in making the connection between the sections of the Report of the Board Secretary providing budget-to-actual comparisons and the Interim Balance Sheet.

## Relationship to the Chart of Accounts

The sample of the Department of Education’s prescribed Report of the Board Secretary includes the commonly used balance sheet accounts and appropriation/expenditure reporting in what is known as the “minimum outline” level of detail. Each district’s individual chart of accounts will be different depending upon the types of programs it offers and may not include all those contained in the sample Report of the Board Secretary. Any accounts included in the sample format that are not used by the district or having no activity need not be included in the monthly Report of the Board Secretary presented to the board.

## Expanded Coding

The minimum outline of appropriation/expenditure accounts mirrors the level of detail included in the unadvertised section of the annual school district budget statement. The board of education may find that additional detail is necessary to effectively monitor the operations of the district and may adopt an expanded chart of accounts. *N.J.A.C. 6A:23A-16.10(a)3* states that when a board of education adopts an expanded chart of accounts, the board must adopt a policy concerning the transfers within line item accounts that exceed the minimum level of detail established pursuant to *N.J.A.C. 6A:23A-16.2(f)1* (the minimum outline). If the board fails to adopt such a policy, the restrictions regarding over-expenditure of funds apply to the line item accounts that exceed the minimum level of detail. **However, it should be noted that even if a district chooses to implement an expanded coding structure, the Report of the Board Secretary must still be presented using the minimum outline format.** In cases where the board has determined that the restriction on over-expenditures is at the expanded level, the board should establish a policy/procedure regarding the additional reporting required for the expanded line item accounts.

## Components

In the remaining pages of this document we will discuss the aforementioned components of the Report of the Board Secretary. Reference to the sample completed general fund (fund 10)

Report of the Board Secretary (provided as a separate file) would prove helpful to the reader. Reference numbers have been assigned to certain lines shown in the sample to depict the relationship between those lines (i.e. which number on a particular schedule and/or statement ties into a number on another schedule and/or statement).

## Interim Balance Sheet

The Interim Balance Sheet is divided into two sections — the Assets and Resources section and the Liabilities and Fund Equity section. The total amounts of these two sections must agree. The sample Report of the Board Secretary lists the balance sheet accounts most commonly used by a district in each of the funds.

Assets are items owned by the district and normally have debit balances. **Current assets** include cash or anything that can be readily converted into cash such as receivables, inventories, deposits, etc. **Resources** equal estimated revenues minus actual revenues (unrealized revenues). These accounts are grouped with assets since the unrealized revenues represent potential sources of funds of the school district. Liabilities are amounts owed by the district and normally have credit balances. **Current liabilities** are those debts the district expects to pay within a short period of time, usually within a year or less. These include accounts payable, contracts payable, etc. The lines “other current assets” and “other current liabilities” are a summary of any such balance sheet accounts maintained by a district that are not separately listed in the sample. The sample reports also include what are known as budgetary accounts. Budgetary accounts are accounts used to enter the formally adopted annual operating budget into the general ledger. Budgetary accounts appear only in interim financial reports and are closed out at the end of the fiscal year. They include:

- 301 (Estimated Revenues),
- 302 (Revenues),
- 303 (Budgeted Fund Balance),
- 307 (Budgeted Withdrawal from Capital Reserve),
- 308 (Budgeted Withdrawal from Sale-Leaseback Reserve),
- 309 (Budgeted Withdrawal from Capital Reserve — Excess Costs and Other Capital Projects),
- 310 (Budgeted Withdrawal from Maintenance Reserve),
- 311 (Budgeted Withdrawal from Tuition Reserve),
- 312 (Budgeted Withdrawal from Current Expense Emergency Reserve),
- 318 (Budgeted Withdrawal from Impact Aid Reserve — General),
- 319 (Budgeted Withdrawal from Impact Aid Reserve — Capital),
- 601 (Appropriations),



- 602 (Expenditures),
- 603 (Encumbrances), and
- 604 (Increase in Capital Reserve).

As discussed earlier, the detail of certain budgetary accounts (301, 302, 601, 602, and 603) is maintained in the revenue and expenditure subsidiary ledgers that are a required component of the double-entry system. That information is reported in the other components of the Report of the Board Secretary. The Fund Equity section of the report includes the opening fund balance as well as the budget-to-actual comparison of appropriations/expenditures. These accounts are included in the fund equity section of the report since any unspent appropriations would ultimately increase fund equity. **Fund Balance** represents the difference between fund assets and fund liabilities. At the end of the fiscal year, the net difference between the actual revenues and expenditures will increase or decrease fund balance. Under the GAAP accounting system, no adjustments are made to fund balance accounts during the year. The budgetary accounts are used until closing entries are made at the end of the year. Any anticipated use of surplus (Budgeted Fund Balance — account 303) is shown in the Report of the Board Secretary as a subtraction from the July 1 fund balance. The actual use of surplus to date is presented in the Recapitulation of Budgeted Fund Balance in the Liabilities and Fund Equity section of the report.

## **Assets**

The Assets section of the Report of the Board Secretary informs the reader about the month-end balances for current asset accounts such as cash and cash equivalents, tax levy receivable, intergovernmental accounts receivable, etc. Most of these accounts are self-explanatory. However, there are a few accounts which warrant further discussion:

### ***121 Tax Levy Receivable, 141 Intergovernmental Accounts Receivable — State***

Certain revenues contained in the district's budget are accrued when the measurable and available criteria are met. Rather than recording those actual revenues when cash is received, districts have been instructed to make an entry on July 1 of each year to record the revenue as realized and establish a receivable account. This is done for revenues whose actual collections will not differ from the amounts included in the certified budget. They normally include the tax levy and State formula aids. This accrual acts to reflect these revenues as "realized" and not "received". Thus, when reviewing the budget-to-actual comparison of revenues, it would seem that all funds had been received if the report were read applying cash-basis principles. The actual receipt of moneys is tracked through the receivable accounts. As installments are received from the municipality or the State, cash (account 101) is increased and the balance in account 121 and/or 141 is decreased. Accordingly, any balance in account 121 and/or 141 represents the uncollected portions of the tax levy and/or State aids. Knowing the relationship between the receivable balances and the revenues is important in understanding the Report of the Board Secretary. The reader should carefully monitor the collectability of accounts

receivable established for other than the tax levy or State aid. The Department has recommended that districts record revenues other than tax levy and State formula aids on a cash basis throughout the year to eliminate the issue of collectability. Any accruals for revenues that were earned but not collected would be made at June 30.

### **Resources**

The Resources section of the Report of the Board Secretary provides a budget-to-actual comparison of the revenue component of a district's budget. The actual realization of revenues in comparison to amounts budgeted is an important piece of information when considering the status of the budget and should be monitored along with the budget-to-actual status of appropriations.

### **301 Estimated Revenues (Budgetary Account)**

The balance in this control account represents the summation of all budgeted revenues, including revisions, as of the date of the Report of the Board Secretary. The balance in this account will equal the total of the Local, Intermediate, State, and Federal sources lines in the following components of the Report of the Board Secretary:

- Schedules of Revenues — Actual Compared with Estimated — “Estimated” column;
- Revenue/Sources of Funds section of the Interim Statements Comparing Budgeted Revenues with Actual to Date and Appropriations with Expenditures and Encumbrances to Date “Budgeted/Estimated” column; and
- Recapitulation of Budgeted Fund Balance — Revenue line — “Budgeted” column.

### **302 Revenues (Budgetary Account)**

Represents the total of all revenues *realized* during a period. Revenues are realized on either:

- 1) an accrual basis — when measurable and available, or
- 2) a cash basis — when the actual receipt of cash has occurred.

As previously discussed, the Department has instructed districts to accrue revenues and establish receivables for their tax levy and State formula aids, and recommends that all other revenues (tuition, rentals, investment income, grant revenue, etc.) be recorded on a cash basis throughout the year. Any accruals for revenues that were earned but not collected would be made at June 30. The balance in this control account will equal the total of the amounts shown on the Local, Intermediate, State, and Federal sources lines in the following components of the Report of the Board Secretary:

- Schedule of Revenues — Actual Compared with Estimated — “Actual” column;
- Revenue/Sources of Funds section of the Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date — “Actual to Date” column; and
- Recapitulation of Budgeted Fund Balance — Revenue line — “Actual” column.

### ***Liabilities***

The liabilities section of the Report of the Board Secretary lists various current liabilities such as cash overdraft, accounts payable, contracts payable, intergovernmental accounts payable, matured bonds payable, etc. Most of these accounts are self-explanatory.

### ***Encumbrances***

Under the GAAP accounting system, orders are not charged against the budget as an expenditure until the goods have been received or the services have been rendered. Until that point, they are considered a restriction of the amount available in the applicable appropriation line. Open purchase orders issued under the GAAP system will be included in the year-end financial statements in the account Reserve for Encumbrances — Current Year (account 753) shown in the fund balance section of the report. An adjustment will be made on July 1 of the following year to increase the appropriations reflected in the certified budget for that fiscal year for the orders that remained open from the prior year. This adjustment will be made to the applicable appropriation account(s) for the open orders. The liquidation of the orders will be tracked in an account Reserve for Encumbrances — Prior Year (account 754). When the order is filled and paid, an expenditure will be recorded, with any differences between the purchase order and the actual invoice amounts included in the charge against the appropriation account of the purchase order.

The adjustment for prior year encumbrances is used in the Recapitulation of Budgeted Fund Balance calculation to highlight the impact of the prior year orders on the current year appropriations. The same number will appear in both the budgeted and actual columns for each Report of the Board Secretary issued during that year since the adjustment amount is for a transaction that occurred on July 1 versus the balance of an account at month-end.

### **Fund Balance**

The fund balance section shows the excess of a fund’s assets over its liabilities. It also includes a budget-to-actual comparison of the appropriations component of the budget. Fund balance is presented in two parts, appropriated and unappropriated.

## ***Appropriated Fund Balance***

### **753, 754 Reserve for Encumbrances**

Represents the total amount of outstanding current year (account 753) and prior year (account 754) purchase orders, contracts, or salary commitments on the date of the Report of the Board Secretary (applicable month-end). The balance in these accounts, when added together, will equal the balance in account 603, Encumbrances.

### **601 Appropriations (Budgetary Account)**

The balance in this control account represents the summation of all budgeted appropriations, including revisions, within the district's annual budget as of the month-end date of the Report of the Board Secretary. The balance in this account will equal the total amount shown in the "Appropriations" column of the following components of the Report of the Board Secretary:

- Statement of Appropriations Compared with Expenditures and Encumbrances;
- Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date; and
- Recapitulation of Budgeted Fund Balance — Appropriations line — "Budgeted" column.

### **602 Expenditures (Budgetary Account)**

Represents the total expenditures incurred as of the month-end date of the Report of the Board Secretary. It is a cumulative total of the purchase orders that were closed and paid during the year when the goods were received and/or the services were rendered. If districts accrue expenditures upon the receipt of goods and/or services, it will also include those closed purchase orders pending payment. The balance in this account will equal the total shown in the "Expenditures" column of the following components of the Report of the Board Secretary:

- Statement of Appropriations Compared with Expenditures and Encumbrances; and
- Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date.

### **603 Encumbrances (Budgetary Account)**

This account is a summary of the district's outstanding obligations in the form of outstanding purchase orders, contracts, or salary commitments. When the goods are received and/or the services are rendered and the invoice is paid, the encumbrance amount is reduced for the amount of the commitment and an expenditure is recorded. The balance in this account will equal the total of the balances in account 753 and account 754, Reserve for Encumbrances — Current Year and Prior Year, respectively,

and will equal the total shown in the “Encumbrances” column of the following components of the Report of the Board Secretary:

- Statement of Appropriations Compared with Expenditures and Encumbrances; and
- Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date.

When added together, the balances in the Expenditure (602) and Encumbrances (603) accounts will equal the Appropriations line — “Actual” column — in the Recapitulation of Budgeted Fund Balance.

### ***Unappropriated Fund Balance***

#### **770 Fund Balance, July 1, 2024**

Shows the opening balance of the district’s fund balance (surplus or deficit).

#### **303 Budgeted Fund Balance (Budgetary Account)**

Shows the amount of prior years’ surplus included in the approved budget for use in the current year. This number is shown as a subtraction from the opening fund balance (account 770) to clearly show the amount of surplus available at the beginning of the year and how much of it was budgeted for use in the current fiscal year. Budgeted fund balance is separate from the Revenues account since under GAAP, the use of surplus is not considered a revenue. Budgeted fund balance instead equals the budgeted deficit for the year (an estimate of how much expenditures will exceed revenues). The actual use of surplus throughout the year is not recorded in this account and its balance remains unchanged from that reflected in the certified budget unless there is an additional appropriation via a formal budget amendment. The section of the Report of the Board Secretary entitled “Recapitulation of Budgeted Fund Balance” provides a comparison of how much surplus was used or generated during the year in comparison to the budgeted deficit. The balance in this account equals the Budgeted Fund Balance line — “Budgeted” column — in the Recapitulation of Budgeted Fund Balance.

#### **Recapitulation of Budgeted Fund Balance**

As mentioned previously, this section of the Report of the Board Secretary is provided to track the budget-to-actual status of the use of surplus (anticipated deficit). The Recapitulation of Budgeted Fund Balance shows the status of the budget if the operations of the district were shut down as of the date of the Report of the Board Secretary, assuming that all the accrued revenues were collected and all the outstanding orders were filled and paid. Based on the actual revenues, expenditures, and encumbrances recorded as of that date, it tells the report reader whether the district has an actual deficit (calculates a positive “actual”) or an actual surplus (calculates a negative “actual”) in comparison with the budgeted deficit (budgeted fund balance). If

revenues exceed expenditures and encumbrances, an actual surplus would be calculated. If expenditures and encumbrances exceed revenues, an actual deficit has occurred. For most districts, the recapitulation will calculate an actual surplus (actual negative budgeted fund balance) being generated at the beginning of the fiscal year since the majority of the revenues (tax levy and State formula aids) have already been recognized and few purchase orders have been issued, resulting in an excess of actual revenues over the expenditures and encumbrances. As the fiscal year moves on, a district will have more expenditures and encumbrances as purchase orders are issued and paid, which is likely to reduce the actual surplus being calculated or may result in an actual deficit. The Recapitulation of Budgeted Fund Balance is considered an important piece of information for the reader of the Report of the Board Secretary.

### **Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date**

This portion of the Report of the Board Secretary provides the first layer of detail of the amounts shown in the general ledger budgetary control account balances. The interim statement consists of two sections. The first section is titled “Revenue/Sources of Funds” and the second section is titled “Expenditures”. The Revenue/Sources of funds section has six columns:

- Original Budget Certified for Taxes,
- Budget Transfers,
- Budgeted/Estimated,
- Actual to Date,
- Over or (Under), and
- Unrealized Balance.

The Expenditures section also has six columns:

- Original Budget Certified for Taxes,
- Budget Transfers,
- Appropriations,
- Expenditures,
- Encumbrances, and
- Available Balance.

The following are important aspects of the Interim Statement which should be noted:

#### ***Revenue/Sources of Funds***

The “Revenue/Sources of Funds” section of the Interim Statement presents summarized information which mirrors the total of the detailed information presented in the Schedule of Revenues — Actual Compared with Estimated. The Original Budget Certified for Taxes column is

the amount budgeted in the original budget certified for taxes. This column will not change throughout the year. The Budget Transfers column is the total of any budget revisions made year to date. The Budgeted/Estimated Column is the budgeted amount, including revisions, as of the month-end of the Report of the Board Secretary. It is the sum of the first two columns of the report — Original Budget Certified for Taxes plus/minus Budget Transfers. The Actual to Date column is the actual amount of revenue recognized as of the month-end of the Report of the Board Secretary for that category. The “Over or (Under)” column is used to present in written form whether the actual to date is greater than the budgeted (Over) or less than the budgeted (Under). If the actual amount equals the budgeted, the line will be left blank in that column. Otherwise, either the word Over to Under should appear on each line in that column. The amount shown in the Unrealized Balance column is the difference between the budgeted and actual amounts for that line. A positive amount in that column represents an amount that must still be recognized/and or realized. A negative amount represents a situation where the actual revenue amount has exceeded the budgeted amount. The report reader should understand the relationship between this section of the Report of the Board Secretary and the Interim Balance Sheet. As mentioned previously, a revenue may be accrued and show zero in the Unrealized Balance column although the cash has not been collected. The accounts receivable balances shown in the balance sheet reflect any uncollected revenues that have been accrued. These uncollected amounts as well as unrealized balances must be considered when evaluating the status of the revenues budget. The amounts appearing on the line for Budgeted Fund Balance are obtained from the subtotal line in the Recapitulation of Budgeted Fund Balance section of the Report of the Board Secretary.

### ***Expenditures***

The “Expenditures” section of the Interim Statement presents summarized information of the budget-to-actual status of the appropriations component of a district’s budget. The lines presented are at the function level, the same level of reporting as the advertised appropriations section of the annual budget. Further detail is presented for each of the lines shown in this section in the Statement of Appropriations Compared with Expenditures and Encumbrances, which is shown at the object level, the same level of reporting as the detail of the appropriations section of the annual budget. The Report of the Board Secretary has separate columns for original budget amounts, transfers, and revised appropriations. The Original Budget Certified for Taxes column is the amount budgeted in the original budget certified for taxes. This column will not change throughout the year. The Budget Transfers column is the total of any budget revisions made year to date. The Appropriations column information reflects the revised appropriation amounts as of the month-end date of the Report of the Board Secretary. It is the sum of the first two columns of the report — Original Budget Certified for Taxes plus/minus Budget Transfers. The Expenditures column presents information by function level of cumulative expenditures to date. For most districts, the GAAP system reverses the amount of an order included in the encumbrances account and records and expenditure when the purchase order is closed (goods were received and/or services were rendered) and paid. Some districts may record the expenditure and reverse the encumbrance at the point when the goods are received and/or services rendered, prior to the payment of the invoice. In that case,

accounts payable would be established and shown in the balance sheet until the vendor was paid. Those districts that record expenditures when the invoice is paid will be required to make a GAAP accrual at June 30 for unpaid items related to closed orders. The Encumbrances column presents information by function level of the outstanding commitments (open orders and contracts) as of the month-end date of the Report of the Board Secretary. The Available Balance amounts are a calculation of the Appropriations amount minus the Expenditures and Encumbrances amounts for each line. The available balance provides the reader with information regarding the uncommitted balance of an appropriation category. It should be noted that any amounts reflected in this column should not be automatically considered available for transfer to other areas of the budget. Districts have been given clear instructions that blanket purchase orders are not acceptable under GAAP. Purchase orders should be issued only for those amounts for which a measurable, contractual commitment amount is known. In other words, the practice of issuing blanket purchase orders at the beginning of the year for an appropriation account is prohibited if the amount is merely a revised estimate of the amount originally budgeted rather than a contractual amount that is clearly able to be calculated based on the terms of the contract. That is, the salaries of contracted employees should be encumbered at the beginning of the year while a district's revised estimate of its utilities costs for the year should not. The reader of the report must bear this difference in mind when reviewing available balances. The amount shown in the available balance column represents that amount which is available for that type of appropriation for the remainder of the fiscal year. Consideration must be given as to how much of that available amount is needed for future expenditures without making the assumption that any available balance may be transferred to another appropriation amount.

### ***Schedule of Revenues Actual Compared with Estimated***

This portion of the Report of the Board Secretary is derived from the detailed information maintained in the revenue subsidiary ledger, which is a required bookkeeping document in the GAAP accounting system. The schedule has five columns — Original Budget, Transfers, Estimated, Actual, and Unrealized. All five columns provide the detail of the summary totals presented in the Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date discussed previously. This section of the report should be reviewed, and the budget-to-actual status of the revenues carefully reviewed. Again, the report reader must consider those revenues that have been accrued and whose uncollected balances are shown in the Interim Balance Sheet section of the Report of the Board Secretary. If the board determines that its estimate of revenues included in the certified budget was inaccurate, the appropriate action should be taken to make the budget amendments required to ensure that the overall budget is not in a deficit position due to overestimated revenues. Review of the budget status should not be limited only to appropriation accounts. It should be noted that districts may amend the budgets for unanticipated revenues, increasing both the budgeted revenues and appropriations, pursuant to *N.J.S.A. 18:22-8.1* and *N.J.A.C. 6A:23A-13.3*.



## **Statement of Appropriations Compared with Expenditures and Encumbrances**

This portion of the Report of the Board Secretary is derived from the detailed information maintained in the expenditure subsidiary ledger, which is a required bookkeeping document in the GAAP accounting system. The statement has six columns — Original Budget, Transfers, Appropriations, Expenditures, Encumbrances, and Available Balance. All six columns provide the detail of the summary totals presented in the Interim Statements Comparing Budgeted Revenue with Actual to Date, and the Appropriations with Expenditures and Encumbrances to Date, discussed previously. The statement mirrors the information presented in the unadvertised appropriation detail section of the annual school district budget statement.

As discussed in the overview section of this document, for most districts approval of appropriation transfers will be at the level of detail provided in this section of the Report of the Board Secretary. As a reminder, the amount entered into the appropriations column of the Report of the Board Secretary is the adjusted figure, which represents the original budget plus or minus transfers. In accordance with *N.J.A.C. 6A:23A-16.10(c)* a separate report of appropriations transfers should be presented to the board for approval. For those transfers that require county office approval, the form prescribed by the Commissioner is posted on the [transfers website](#).

## **Variations**

The previously mentioned components of the report describe the content and form of the Report of the Board Secretary prepared for the general fund of a regular district. The Report of the Board Secretary for Special Revenue (fund 20), Capital Projects (fund 30), and Debt Service (fund 40) are more summarized and do not include the Interim Statements Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date section or the Recapitulation of Budgeted Fund Balance section.

Minor deviations exist in the reports presented by county vocational and county special services school districts due to differences in the chart of accounts. Also, since these districts do not advertise their budgets, the Interim Statement Comparing Budgeted Revenue with Actual to Date and Appropriations with Expenditures and Encumbrances to Date is not a required section of the general fund Report of the Board Secretary. In addition, the Report of the Board Secretary for Debt Service (fund 40) does not apply for these operating types.