



State of New Jersey
DEPARTMENT OF EDUCATION
PO Box 500
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Commissioner

July 2, 2013

Dear Software Vendor,

The 2013-14 school year budget that will be adopted by school districts includes changes to the line numbers used by the department, related to the conversion of the department's budget software to a web-based platform. Posted on the department website at <http://www.state.nj.us/education/finance/audsum/> is the "Audit Summary Worksheet" which crosswalks the old line numbers to the new line numbers used for the minimum chart of accounts. For detailed revenues and appropriations grids for the district-wide budget, please refer to the exhibits on pages 16 to 17 and pages 23 to 51 of the 2013-14 Electronic Data Collection Manual posted on the department's website at <http://www.state.nj.us/education/finance/fp/dwb.shtml>. The grids provide information about the status of accounts included in the 2013-14 budget, as well as the applicability of account numbers for the three budget types - regular (reg), vocational (voc) and county special services (cssd) school districts.

Enclosed for your reference is a file named "Attachment 1 – Line Item Changes 13-14," which is a district-wide summary of the 2013-14 revenue, expense and balance sheet line/account number additions and deletions for each budget type. Attachment 1 also indicates placement for new lines into the applicable board secretary reports. Summarized below are the changes for the 2013-14 Budget.

HURRICANE SANDY – FEMA FUNDING

Insurance Recoveries

Impairment of a Capital Asset:

In accordance with GASB Statement No. 42, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the associated insurance recovery. The insurance recovery is reported as an "other financing source." Use newly created line 685 "Other Financing Sources – Insurance Recovery Related to Impaired Capital Asset–Super Storm Sandy", account 10-5901, for this purpose.

When the recovery and loss occur in the same year report the "restoration or replacement of an impaired capital asset" as a separate transaction from the impairment loss and the associated insurance recovery. The impairment loss and the insurance recovery should be reported net. When the recovery occurs in a year subsequent to the loss, insurance recoveries reported in the subsequent year should be reported as a non-operating revenue source.

Recoveries other than those related to an impairment of a capital asset:

Insurance recoveries other than those related to an impairment of a capital asset should be reported as a separate transaction from the covered loss. The insurance recovery is reported as an “other financing source.” Use newly created line 686 “Other Financing Sources – Insurance Recovery Related to Other Costs of Super Storm Sandy”, account 10-5902, for this purpose.

If the impairment loss and the insurance recovery occur in the same year, the impairment loss and the insurance recovery should be reported net. Insurance recoveries reported in a subsequent year(s) should be reported as a non-operating revenue source.

Food Services Fund Assets:

In accordance with GASB Statement No. 42, in the proprietary funds financial statements, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the impairment loss and associated insurance recovery. Insurance recoveries should be recognized only when realized or realizable. Realizable is defined by an acknowledgement of coverage by an insurer. When the recovery and loss occur in the same year, the impairment loss should be reported net of the associated insurance recovery. When the insurance recovery is reported in a subsequent year(s), report the recovery as a non-operating revenue source (use previously existing Audsum line 90264).

Report an asset impairment loss that has occurred in the food service fund as a special item/extraordinary item using newly created Audsum line 92175 “Impairment Loss - Special” or newly created Audsum line 92176 “Impairment Loss - Extraordinary”.

Food Services Recoveries other than those related to an impairment of a capital asset:

In the proprietary funds financial statement, for insurance recoveries which occur in the same year as the loss, the impairment loss and the insurance recovery should be reported net. Insurance recoveries reported in subsequent years should be reported as a non-operating revenue source (use previously existing Audsum line 90264).

Community Disaster Loans (CDL) - FEMA

Executive Order 128 directed all eligible school districts to apply for FEMA Community Disaster Loans. School districts that have received approval of a CDL and have drawn down upon the associated line of credit as a replacement for timely remitted property tax collections, should report the CDL proceeds as an “other financing source” in the general fund. Use newly created line 681 – “Other Financing Sources – CDL Property Tax Offset – Super Storm Sandy”, account 10-5405, for this purpose. General fund tax levy (revenue) should be reduced in the exact amount of the amount of CDL reported. Note that no districts should have received CDL funds for the year ending June 30, 2013. In the 2013-14 budget, districts were instructed to record this amount on line 700 “Other Financing Sources”.

Community Development Block Grants (CDBG) - FEMA

The following line has been added in the 2013-14 budget statement to separately record the Community Development Block Grant revenues:

- Revenue line 565, “FEMA Community Development Block Grant” account number 19-4526, should be used to record the CDBG revenue.

Districts budgeted the CDBG detailed appropriations from fund 19 in the appropriations, combined with the fund 11, 12, and 13 appropriations, and must retain the balances in their accounting records in fund 19. There should be separate reporting in the Board Secretary Report for fund 19, similar to fund 18. Districts may either show the revenue after the general fund revenue on the fund 11 report or on a separate page, and they may show the expenditures either at the end of the general fund or on a separate report. The main goal is that CDBG funds be accounted for and reported separately from other general fund revenue and expenditures, to meet federal requirements.

The regulations for CDBG can be found at the following links:

<http://www.nj.gov/dca/divisions/dlgs/lfn/13/2013-15.pdf>

http://www.nj.gov/dca/divisions/dlgs/resources/misc_docs/cdbg_essential_services_application.doc

Special Revenue Fund – FEMA Reimbursements

If the FEMA reimbursement is received pursuant to the school district having submitted a project worksheet for expenditures related to a disaster (e.g. Project SERV funds), eligible obligations/expenditures must be specifically identified and reported in the special revenue fund. Documentation in support of eligible obligations/expenditures must be maintained for audit. Districts should have recorded those obligations/expenditures in fund 20 with a unique program code in the 290-299 range. The FEMA reimbursement is recorded and reported as “Other Restricted Grants-in-Aid from the Federal Government through the State” in the special revenue fund. Use newly created line 817, “Super Storm Sandy - FEMA and Other Restricted Recovery Sources”, account 20- 4526, for this purpose.

Below is a link to the April 30, 2013 notification of grant awards provided to certain school districts for the purpose of assisting those school districts through the reimbursement of expenditures in support of activities intended address the super storm’s after effects. The notification includes a sample listing of the types of expenditures that were considered for reimbursement.

<http://www.state.nj.us/governor/news/news/552013/approved/20130430a.html>

SCHOOL BUS ADVERTISING

Pursuant to N.J.S.A. 18A:39-31, the board of education of any school district may enter into a contract for the sale of advertising space on the exterior sides of school buses owned or leased by the school district, subject to prohibited items in the statute and any other products or services the board deems inappropriate. In the event that a board of education enters into a contract for the sale of advertising space on the exterior sides of school buses, 50 percent of any revenue generated by the sale shall be used by the board to offset the fuel costs of providing pupil transportation services, and the remaining 50 percent of the revenue shall be used to

support any programs and services the board may deem appropriate. Revenue line 315 (old number 244), account number 10-1992, entitled “Advertising Fees – School Buses” is used to record the advertising fees. To track the fuel expenses for pupil transportation services which are offset by the advertising fees, appropriation line 52450 (old number 7326), account number 11-000-270-626, is used in the detailed appropriations. These two lines were opened for data entry in the 2013-14 budget software.

The administrative code regarding the school bus advertising was effective in June 2012. This was after the budget was adopted for 2012-13, therefore the lines were blocked in the 2012-13 budget preparation. Districts may have entered into advertising agreements in 2012-13, subsequent to the code adoption, and may have actual advertising revenues and offsetting fuel costs to record in 2012-13.

If a district receives school bus advertising revenue and is unable to utilize at least 50 percent for fuel costs, then they must reserve the revenue for use on fuel costs in the second subsequent year. Districts that set up a reserve for fuel costs may use the reserve as an adjustment to fund balance for purposes of calculating the excess surplus.

The General Fund Interim Balance Sheet should include the following new section under Fund Balance – Reserved Fund Balance and Recapitulation of Fund Balance:

Fund Balance

Reserved Fund Balance:

755	Bus Advertising Revenue Reserved for Fuel Costs – July 1, 2	_____	\$ _____
610	Add: Increase in Bus Advertising Reserve for Fuel Costs	_____	_____
315	Less: Withdrawal from Bus Advertising Reserve for Fuel Costs	_____	_____
			\$ _____

Recapitulation of Fund Balance

Insert this section prior to the “Adjustment for prior year encumbrances” line. Without these changes, the final amount calculated for budgeted fund balance will not agree with the amount shown in the interim balance sheet in account 303 – budgeted fund balance.

Change in bus advertising revenue reserve for fuel costs:

Plus – Increase in reserve	\$ _____	\$ _____	\$ _____
Less – Withdrawal from reserve	_____	_____	_____

REVENUES

Revenue Changes – see attachment 1 for line details.

For lines related to FEMA activity, please see the “Hurricane Sandy – FEMA Funding” section of this letter on the previous pages of this letter.

Line number 836, account number 20-5200, entitled “Transfers from Operating Budget – Preschool Inclusion” was added to record the general fund contribution transferred to the preschool program for inclusion students in a separate line from the regular students. Line 836 should be used for the revenue for the contribution related to inclusion students, and should agree to the amount on appropriation line 2060 (old line 2508), account number 11-105-100-936 “Local Contribution – Transfer to Special Revenue – Inclusion”. This is a transfer of the state aid received for the general education portion of the inclusion students. Please refer to the guidance posted at

<http://www.state.nj.us/education/finance/fp/af/AccountingClarificationMemorandum.pdf>
for more details regarding recording of preschool costs.

Lines which have existed in the audit summary software were added into the budget software to align the two programs. The lines added to budget are as follows:

New Line #	Old Line # from Audsum	Account #	Description
140	195	10-1310	Tuition from Individuals
150	196	10-1320	Tuition from Other LEAs Within the State
160	197	10-1330	Tuition from Other LEAs Outside the State
170	198	10-1340	Tuition from Other Sources
180	199	10-1350	Tuition from Summer School
260	254	10-1910	Rents and Royalties
270	257	10-1920	Private Contributions
280	255	10-1930	Sale of Property
290	258	10-1940	Textbook Sales and Rentals
700	142	10-5XXX	Other Financing Sources
735	418	20-1510	Interest on Investments
740	419	20-1XXX	Other Revenue from Local Sources
865	551	40-1510	Interest on Investments

School-Based Revenue Changes – none in 2013-14.

EXPENDITURES

Expenditure Changes – see attachment 1 for line details.

A new line was added for Salaries of Fiscal Monitors, line number 45030, account number 11-000-230-180. This line may only be used by districts with fiscal monitors to record the salary of the state-appointed fiscal monitor. This line was added in order to exclude the fiscal monitor costs from the calculation of the administrative cost limit.

Software Vendors
July 2, 2013

School-Based Expenditures Changes – none in 2013-14.

BALANCE SHEET

Balance Sheet Changes – See changes in the School Bus Advertising section on the previous pages of this letter.

If you have any questions or need additional information please feel free to contact me at (609) 341-5297 or by email at Stephanie.Gorman@doe.state.nj.us.

Sincerely,



Stephanie J. Gorman
Planning Associate
Office of School Finance

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Enclosure

c: Yut'se Thomas
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