

SECTION II – SPECIFIC COMPLIANCE
FUND 20 – SPECIAL REVENUE FUND

TPAF Reimbursement (applicable to school districts/charter schools/renaissance school projects)

N.J.S.A. 18A:66-90 requires that each local board of education/board of trustees reimburse the state for the employer 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. It has been determined that where the district has used federal Community Development Block Grant (CDBG) funds to pay the wages of TPAF employees, those wages are not subject to this statutory reimbursement requirement. Refer to page II-10.6 of this Audit Program for additional information regarding CDBG. The reimbursement, together with supporting documentation prescribed by the Director of Pensions, must be remitted to the Department of Education within 90 days after the close of the fiscal year. Auditors should refer to the updated letter and downloadable form expected to be posted to the NJDOE website under “Most Requested Items” available July-August, 2015:

<http://www.state.nj.us/education/finance/>

Districts/charter schools/renaissance school projects were given specific guidance in a hotline dated June 29, 1993 on accruing a liability for the TPAF Pension and Social Security related to salaries charged to federal grants. Pursuant to *N.J.S.A. 18A:66-90*, the reimbursement must be made by October 1 following the fiscal year end. Local boards of education/boards of trustees are reminded that the actual date of remittance to the State has implications for completion of the OGM Year-end Reporting, (the Final Report for NCLB, IDEA and Perkins) the Schedule of Expenditures of Federal Awards, and the Comprehensive Annual Report (CAFR) and related Auditors Management Report (AMR). Those implications are summarized as:

- TPAF/FICA reimbursements due to the state that are liquidated within 60 days of June 30, 2015 (on or prior to 8/31/2015), may be reported in the June 30, 2015 final report as an expenditure on the accrual basis of accounting. This accounting & reporting reduces the grant award's unobligated balance.
- If liquidated after 60 days of June 30, 2015 (after 8/31/2015) the TPAF/FICA reimbursement due to the state must not be reported as an expenditure against the grant (i.e. may not be included in the 6/30/15 final report as obligated/expended).
- Payments to the State will no longer require the signature of the Licensed Public School Accountant. In lieu of affixing his or her signature to the form, the Licensed Public School Accountant will be required to review the form and issue a comment on the payment in the Auditor's Management Report (AMR);
- Adjustments, if necessary, may be made subsequent to the payment date and after the Licensed Public School Accountant's review. Adjustments after payment may be made by filling out a revised *Reimbursement to State of New Jersey – N.J.S.A. 18A:66-90* form.

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

TPAF and FICA Reimbursement for Districts Required to Use School-Based Budgeting

The blending of federal, state and local funds in the school-based budgets recorded in Fund 15 necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources. This calculation is necessary to enable the district to remit the correct amount of funds to the Department of Education. This calculation pertains to schools implementing school-based budgeting for the year ended June 30, 2015 and is detailed below and illustrated at the TPAF series of schedules which are linked below.

Procedures to Calculate TPAF and Employer Share of Social Security & Medicare Charged to Federal Programs in a School-Based Budget School to be Remitted to the Department of Education in Compliance with N.J.S.A. 18A:66-90

The following steps one through four must be performed for each school:

- 1.) Perform a payroll sort from the district's payroll system, by school, detailing the teachers at each school and each teacher's contracted salaries paid during the year. (This amount is to be contracted base wages only and should not include stipends or extra-curricular activity payments.) This amount should be broken out between salaries paid from July 1, 2014 through December 31, 2014 and salaries paid from January 1, 2015 through June 30, 2015. Salaries paid for the calendar year ended December 31, 2014 will also be needed to calculate the social security and Medicare portions of FICA salaries over and under \$117,000 for the 2014 calendar year.
- 2.) The total fiscal year contractual salaries must then be broken down by calendar year to determine the amount paid which is less than or equal to \$117,000 for the 2014 calendar year; the amount which exceeds \$117,000 for the 2014 calendar year; the amount paid which is less than or equal to \$118,500 for the 2015 calendar year; and the amount which exceeds \$118,500 for the 2015 calendar year. This information is necessary to calculate the social security and Medicare portions of FICA. This is most easily accomplished by sorting the information into two columns for each calendar year and totaling the columns.
- 3.) The amounts determined in 2.) above must be accumulated and multiplied by the Title I percentage calculated on the current year *Schedule of Expenditures Allocated by Resource Type* to determine the Title I proportionate share of salaries. The amounts determined in 2.) above then must be accumulated and multiplied by the "all other federal programs" rate to determine the all other federal programs proportionate share of salaries. The all other federal programs rate is the sum of the percentages calculated on the current year *Schedule of Expenditures Allocated by Resource Type* for all federal programs excluding Title I.
- 4.) The reimbursement amounts will also need to be calculated at the school level to enable the reimbursements to be recorded in the individual school's Fund 15. The social security, Medicare and TPAF rates are then applied to the salary amounts determined in steps two and three above to calculate the social security, Medicare and TPAF reimbursements due to the Department of Education for each school-based budget school. The preliminary State payment to the Teacher's Pension and Annuity Fund for FY 2014-15 is 12.36%. The social security rate remains at 7.65%. Consequently, estimated TPAF and FICA rates now total 20.01% and has been used for illustration purposes in the sample schedule accessible using the link on page II-20.3. **Districts should not use this estimated rate to complete the TPAF and FICA Reimbursement form. Districts must use the actual rate which will be available on the Department's website after the release of this Audit Program. When the actual 2014-15 TPAF rate is known, the sample schedule will be revised to reflect the actual TPAF rate.**

The federal program salaries calculated for each school in steps one through four will then be entered onto the worksheet entitled *SBB TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90* in the applicable column and should be included in the salary amounts reported on the reimbursement form entitled, *Reimbursement to State of New Jersey – N.J.S.A. 18A:66-90*. The district should retain the worksheet and the individual school calculations as supporting documentation of the school-based budget salaries included in the amounts reported on the reimbursement form. The auditor signature is no longer

required on the reimbursement form. The district's public school accountant will need to verify these calculations and prepare a comment in the AMR.

Districts charge the TPAF and Social Security employer contributions related to salaries charged to federal grants to that grant budget as employee benefits (20-xxx-200-200) using an estimated rate. Throughout the year, districts debit employee benefits and credit Intergovernmental Accounts Payable – State (20-411) using that estimated rate. When the actual combined TPAF/Social Security rate is known, the accumulated expenditures and payable to the State are adjusted. The June 30 financial statement will report the amount due to the State as a liability.

SBB TPAF and FICA Calculation to Comply with *N.J.S.A. 18A:66-90*

To display the total SBB TPAF, and FICA Calculation illustration, click on the following link:

[TPAF 2014-15 SBB districts](#)

July 17, 2015 memo and form announcing rate