

# The Audit Program

## Section III – Reporting

### Chapter 4- Auditor’s Management Report (AMR)

#### Auditor’s Management Report on Administrative Findings - Financial, Compliance and Performance

The Auditor’s Management Report on Administrative Findings - Financial, Compliance and Performance (Auditor’s Management Report or AMR), is the auditor’s report to the board of education/board of trustee of the findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of December 5, 2018. The AMRs will be available to the public on the [DOE CAFR website page at: http://www.state.nj.us/education/finance/fp/cafr/search/](http://www.state.nj.us/education/finance/fp/cafr/search/)

*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 education of each school district." This statute applies to the Auditor’s Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes all items contained in the separate schedule of findings and questioned costs included in the single audit section of the district, charter school and renaissance school project CAFR. A separate report to the board of education/board of trustee outlining findings not included in the report of audit is considered a violation of this statute.

If an auditor detects an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9, and the auditor believes a recommendation is not needed because the error was insignificant and an isolated unintentional deviation from the board's standard operating procedure, 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.

The report presents the recommendations immediately after the comments. Since this is a stand-alone document, a 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 include the finding and recommendation.

This section is applicable to school districts/charter schools/renaissance school projects unless specifically identified as applicable/not applicable to either school districts/charter schools/renaissance school projects. The section provides a sample of the Auditor’s Management Reports and auditors are cautioned to tailor the report language to the school district/charter school/renaissance school projects as appropriate. **This sample AMR is not meant to be a boilerplate and should be adapted to the circumstances of the individual district/charter school/renaissance school project audit.**

The standard format of the Auditor’s Manager 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 [if applicable]
  - E. Schedule of Audited Enrollments
  - F. Excess Surplus Calculation
- 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 in this chapter may be expanded to include an opinion on the report if that is the individual firm's policy. 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 auditor's reports included in the Comprehensive Annual Financial Report (CAFR).
- C. The *Comments, Findings and Recommendations* section includes 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 school district or charter school or renaissance school project CAFR. Such items should be numbered sequentially (e.g. 2018 -xxx) and if the finding is also included in the CAFR, a cross reference notation to the CAFR finding should be included. Repeat audit findings should be cross-referenced to the current year finding (2018-xxx). The comments and recommendations must be specific under the following applicable headings:
- Administrative Practices and Procedures
  - Financial Planning, Accounting and Reporting
  - School Purchasing Programs
  - School Food Service
  - Student Body Activities
  - Application for State School Aid (Not applicable to charter schools or renaissance school projects)
  - Charter School Enrollment System/Charter School Aid/Renaissance Enrollment Report (Not applicable to school districts)
  - Pupil Transportation (Not applicable to charter schools or renaissance school projects)
  - Facilities and Capital Assets
  - Miscellaneous
  - 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 sub-groupings within these headings.

Auditor recommendations which are not the result of either 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 Auditor's Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the district's/charter school's/renaissance school project's Corrective Action Plan.

Where a non-compliance issue is discovered by the auditor and has been corrected by the school district/charter school/renaissance school project within that same fiscal year, the finding must be reported in the AMR and the recommendation should state that the conditions/finding(s) were corrected within the fiscal year under audit.

Required comments must include discussions for the following areas and detailed examples are included in the sample provided:

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)

1. *N.J.A.C. 6A:23A-16.4(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.”
  2. *N.J.S.A. 18A:13-13* provides that in a district/charter school/renaissance school project which does not have a treasurer of school moneys, the secretary shall give bond in such amount and with such surety as the board shall direct.
- Whether appropriate billing adjustments have been made for tentative and actual tuition charges. (Not applicable to charter schools or renaissance school projects)
  - Examination of Claims
  - Salary Accounts
  - 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 district/charter school/renaissance school project funds were provided and expended in the proper GAAP account/code 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 district/charter school/renaissance school project has timely and accurately completed its requests for social security reimbursement for TPAF members.
  - Advertisement for bids in accordance with statutory requirements. Any items of noncompliance should be listed and *Title 18A:18A Public School Contracts Law* should be quoted. (PSCL is not applicable to renaissance school projects)
  - Limitation of Principal Amount of Bonds *18A:24-19*. (Not applicable to charter schools or renaissance school projects)
  - The condition of the records, with both positive and negative findings for:
    1. Athletic Association
    2. Food Services
    3. Student Activity Funds
    4. Secretary (status of secretary’s accounting records must be noted)
    5. Secretary and Treasurer’s records/reports. Where the district/charter school/renaissance school project does not maintain the treasurer’s position, the review should encompass the condition of the records/reports formerly kept by the treasurer that are now the responsibility of other district/charter school/renaissance school project personnel
    6. 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:23A-16.4*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

**Surety Bond minimum**

School Annual Budget	Minimum Surety Bond
Up to \$100,000	20% of Budget (Minimum \$10,000)
\$100,000.01 to \$250,000	\$20,000 + 15% of all over \$100,000

School Annual Budget	Minimum Surety Bond
\$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

- D. The separate federal and state Schedule of Meal Count Activity a summary of the results of the audit testing of the number of meals claimed for reimbursement under federal and state subsidy programs. The schedules calculate a total net over claim or under claim based on the difference between the meal count tested by the auditor and meal count claimed by the district/charter school/renaissance school project. Eligibility application exceptions/reclassifications must be quantified and included in the schedules. A finding and recommendation should be included for any differences noted. Each of these schedules are included only if the Child Nutrition Program is a major program audited in the current audit period in accordance with federal 2 C.F.R 200 *Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards*.
- E. For school districts, the *Schedule of Audited Enrollments* provides a summary of the results of the audit testing of the Application for State School Aid (ASSA) and the District Report of Transported Resident Students (DRTRS). It documents the information reported on the ASSA in comparison to the district workpapers which summarize the school register(s) and compares the information in the district workpapers to the underlying supporting data, quantifying any errors noted. It also documents the information reported on the DRTRS and the amount verified. A finding and a recommendation should be included for any differences noted.
- F. For charter schools, the *Schedule of Audited Enrollments* provides a summary of the results of the audit testing of the Charter School Enrollment System (CHE), NJ 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 workpapers and compares the information in the charter school's workpapers to the underlying supporting data, quantifying any errors noted. A finding and a recommendation should be included for any differences noted.
- G. For renaissance school projects, the *Schedule of Audited Enrollments* provides a summary of the results of the audit testing of the Renaissance Enrollment Report, NJ School Register and submission of enrollment counts to the renaissance school district and/or to the Department. It documents the information reported on the submission to the renaissance school district in comparison to the renaissance school project workpapers and compares the information in the renaissance school project's workpapers to the underlying supporting data, quantifying any errors noted. A finding and a recommendation should be included for any differences noted.
- H. For school districts, the *Excess Surplus Calculation* documents the calculation of excess surplus for the district as required by *N.J.S.A. 18A:7F-7*, providing the maximum unassigned fund balance which regular districts may have at year end as 2 percent of adjusted audit year general fund expenditures. County vocational school districts are subject to the 6 percent surplus limitation.

Charter schools and renaissance school projects are not subject to the audited excess surplus limitations. Charter school auditors are required to document the calculation of excess surplus pursuant to *N.J.S.A. 18A:7F-7* solely for the purpose of adherence to *N.J.A.C. 6A:23A-22.4(e)*, which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends "significantly less than budgeted and has accumulated a sizable surplus."

*Auditor's Note* – Auditors should review Section II-10.23 of this *Audit Program* for guidance on the Excess Surplus Calculation for districts required to use school-based budgeting.

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 Criteria or specific requirement (what should be); Condition (what is); Context (describe the work performed that resulted in the finding); Effect (the difference between what is and what should be); Cause (why it happened); Recommendation; and, Views of responsible officials and planned corrective actions. Auditors should reference 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Section .516 Audit Findings) for specific requirements on the reporting of audit findings in the Schedule of Findings and Questioned Costs when a federal single audit of the district/charter school/renaissance school project is required. At the time of publication of this Audit Program, the most recently issued AICPA's Example 13-6 *Illustrative Schedule of Findings and Questioned Costs* is available in the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*. It is recommended that school auditors check the AICPA website for revised illustrative reports in relation to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

At the time of publication of this Audit Program, the most recently issued Governmental Accounting Quality Control (GAQC) illustrative reports posted to the AICPA website are illustrative reports 13-1 through 13-3 *Reports on Compliance for Each Major Federal Program; Reports on Internal Control Over Compliance; and Reports on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance* updated for the clarity auditing standards and the 2018 edition of *Government Auditing Standards*. These illustrative audit reports are excerpts from Appendix A of chapter 13 of the 2018 AICPA Audit Guide, *Government Auditing Standards and Single Audits*. These report illustrations, as well as 13-4 through 13-6 (13-6 the aforementioned *Illustrative Schedule of Findings and Questioned Costs*) are incorporated into the recent edition of the *Government Auditing Standards and Single Audit Guide* available for purchase from the AICPA website. It is recommended that school auditors check the AICPA website for revised illustrative reports in relation to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

When repeating the CAFR (Single Audit) findings in the Auditor's Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditor's Management Report.

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[\*Alternatively, where the district/charter school/renaissance school project does not maintain the treasurer's position, records and reports prepared and maintained by other district/charter school/renaissance school project personnel should be reviewed (e.g. bank reconciliations prepared by the chief school administrator or board designee other than the secretary as required by *N.J.S.A. 18A:17-9*)]

**(Sample AMR)**

**Report of Independent Auditors**

Honorable President and  
Members of the Board of Education/  
Members of the Board of Trustees  
{insert name of LEA} School District/Charter School/Renaissance School Project  
County of {insert county} 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 Education/Board of Trustees of the {insert name of LEA} School District/Charter School/Renaissance School Project in the County of {insert county} for the year ended June 30, 20XX, and have issued our report thereon dated {insert date}, 20XX.

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 {insert name of LEA} Board of Education's/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 Board Secretary/School Business Administrator and the Treasurer of School Moneys [or name the position(s) of other appropriate personnel responsible for those records where the district /charter school/renaissance school project does not maintain the treasurer's position], the activities of the Board of Education/Board of Trustees, and the records of the various funds under the auspices of the Board of Education/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 school district or charter school or renaissance school project CAFR.

**Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)**

Name	Position	Amount
Anne Edwards	Board Secretary/School Business Administrator	\$ 10,000.00
Michael E. Leonard	Treasurer (or where no treasurer of school moneys, the board secretary)	\$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 (Not applicable to charter schools or renaissance school projects)**

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f) 3.

**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 Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium



Amounts withheld due to the general fund.

[Where the district /charter school/renaissance school project employs a treasurer of school moneys] Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

[Where the district/charter school/renaissance school project does not employ a treasurer of school moneys] Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The required certification (E-CERT1) [not applicable to charter schools/renaissance school projects] of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was not was not filed by the March 15 due date [or was not filed].

**Recommendation:**

The Board of Education should designate someone to prepare and submit the certification as required by *N.J.S.A. 18A:14.4* and submit the E-CERT1 if not yet submitted.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Reporting of employee compensation for income tax related purposes did not comply with federal (or state) regulations regarding the compensation which is required to be reported. [State what noncompliance issue was, e.g., lease value of vehicle not included in W-2, compensation at separation was deferred over five years by employee choice and should be included in W-2; fringe benefits were erroneously included in base salary for pension calculation purposes].

**Recommendation:**

The district/charter school/renaissance school project should establish internal controls to ensure that compensation is properly recorded and reported, including taxable fringe benefits and other additional forms of compensation as applicable. District/charter school/renaissance school project should also send corrected reporting to the applicable tax authority.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The certifying officer did not maintain documentation of his/her analysis of the district's decision to classify a professional service provider (defined at *N.J.S.A. 18A:18A-2(h)*) as an employee of the school district in violation of Local Finance Notice 2007-28.

**Recommendation:**

The district should establish internal controls to ensure that employee versus contractor decisions for professional service providers are documented within the employee's personnel file.

**Finding 201X-xxx (CAFR Finding 201X-xxx): (Not applicable to charter schools or renaissance school projects)**

The board of education made a merit bonus payment without prior confirmation from the Executive County Superintendent that a quantitative merit criterion or a qualitative merit criterion had been satisfied and without prior approval by the district board of education and Executive County Superintendent, as required by *N.J.A.C.6A:23A-3.1(e) 10.iv*.

**Recommendation:**

The board of education business office should establish internal controls over payroll to ensure that employee merit bonus payments are made only after having obtained: 1) board approval, and 2) receipt of confirmation of the satisfaction of that criterion from the Executive County Superintendent

pursuant to having submitted a board of education resolution to the Executive County Superintendent certifying that a quantitative merit criterion or a qualitative merit criterion has been satisfied.

### **Employee Position Control Roster**

#### **Finding 201X-xxx (CAFR Finding 201X-xxx):**

An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

#### **Recommendation:**

The board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting and that employee benefits are offered only to current employees and their eligible relations.

### **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 201X-xxx (CAFR Finding 201X-xxx):**

District/charter school/renaissance school project 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.

#### **Finding 201X-xxx (CAFR Finding 201X-xxx):**

Payments were made without proper authorization for amounts which exceeded the original approved purchase order amounts.

#### **Recommendation:**

The School Business Administrator should review the payments and purchase orders to ensure that all payments are properly authorized and consistent with N.J.A.C. 6A:23A-6.10(a).

### **Travel**

#### **Finding 201X-xxx (CAFR Finding 201X-xxx):**

The district/charter school/renaissance school project did not obtain prior written approval of the Executive County Superintendent for a travel event that exceeded \$5,000 as required by *N.J.A.C. 6A:23A-5.9*.

**Recommendation:**

The district/charter school/renaissance school project should implement a process for submitting request for approval to the Executive County Superintendent at least 10 working days in advance of a travel event with a total cost exceeding \$5,000.

**Finding 201X-xxx (CAFR Finding 201X-xxxx):**

The district/charter school/renaissance school project did not have an approved board travel policy as required by *N.J.A.C. 6A:23A-6.13* and *N.J.S.A. 18A:11-12*.

**Recommendation:**

The board of education/board of trustees should adopt a travel policy that complies with *N.J.S.A. 18A:11-12*.

**Finding 201X-xxx (CAFR Finding 201X-xxx)**

Payment for travel by an employee was approved after completion of the travel event.

**Recommendation:**

The board of education/board of trustees should revise its travel policy to ensure that payments will not be ratified after completion of the travel event unless the policy excludes regular business travel from the pre-approval requirement. *N.J.A.C. 6A:23A-7.2(d)*

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* 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. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, a transaction error rate of 1.90 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**A. General Classification Findings**

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the district/charter school/renaissance school project misclassified and misbudgeted professional development costs for noninstructional staff as Improvement of Instruction Services/Other Support Services-Instructional Staff - Other Purchased Professional and Technical Services. The expenditure and related appropriation was reclassified to Business and Other Support Services - Purchased Professional Services for financial statement presentation purposes.

**Recommendation:**

Districts/charter schools/renaissance school projects should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23A-16.2(f)*.

**B. Administrative Classification Findings**

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the district/charter school/renaissance school project misclassified and misbudgeted expenditures for home instruction. In several instances, salaries and/or contracted payments for home instruction were improperly classified as salaries for regular education instruction.

**Recommendation:**

Districts/charter schools/renaissance school projects should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23A-16.2(f)*.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the salary of the chief school administrator was allocated to Instructional Staff Training Services. The expenditure and related appropriation were reclassified to Support Services – General Administration for financial statement presentation purposes.

**Recommendation:**

See recommendation below.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the salary of the principal was allocated to the plant maintenance and transportation functions. The expenditure and related appropriation were reclassified to Support Services – School Administration for financial statement presentation purposes.

**Recommendation:**

See recommendation below.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transaction it was noted that legal fees for the placement of a special education student was charged to Other Support Services – Student Extraordinary Services. The expenditure and related appropriation was reclassified to Support Services - General Administration for financial statement presentation purposes.

**Recommendation:**

See recommendation below.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that there were no salary expenditures of clerical staff recorded in Central Services as had been in prior years. Clerical positions that were recorded in the prior year in central services were not eliminated but instead reclassified to Attendance without proper documentation to support this change.

**Recommendation:**

Districts/charter schools/renaissance school projects should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools*, and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23A-16.2(f)*.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the salary of the business administrator was allocated to instruction without documentation that supports the business administrator provided direct classroom instruction as part of the district's/charter school's/renaissance school project's regular curriculum.

**Recommendation:**

See recommendation below.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that the salary of the chief school administrator was allocated to instruction without documentation that supports the chief school administrator provided direct

classroom instruction as part of the district's/charter school's/renaissance school project's regular curriculum.

**Recommendation:**

The allocation of administrative salaries to instruction or support functions should be supported by documentation providing a reasonable allocation method, such as time sheets or teaching roster to support direct classroom instruction as part of the regular curriculum.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)

A district with an assigned state-appointed monitor failed to report the salary expense of the state monitor on the proper appropriation line.

**Recommendation:** (N/A to charter schools/renaissance school projects)

Salaries for State Monitors shall be charged to line 11-000-230-180, General Administrative Salaries-State Monitor.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

During our test of transactions it was noted that many of the district's/charter school's/renaissance school project's responses to the required completion of the school district/charter school/renaissance school project questionnaire were incomplete.

**Recommendation:**

The district/charter school/renaissance school project should compare the completed school district/charter school/renaissance school project questionnaire and the payroll registers and an administrative certificated staff roster, or similar document, to assure accuracy and completeness of the school district/charter school/renaissance school project questionnaire.

**Board Secretary's Records**

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** Not applicable to renaissance school projects  
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 Secretary.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Acknowledgment of the board's receipt (non-receipt) of the Board Secretary's and Treasurer's [where the district/charter school/renaissance school project maintains the position] monthly financial reports was not included in the minutes.

**Recommendation:**

The board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's [where the district/charter school/renaissance school project maintains the position] monthly reports.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (*N.J.A.C. 6A:23A-16.10*).

**Recommendations:**

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Payments to vendors were made prior to the receipt of goods.

**Recommendation:**

Payment should not be made until the receipt of goods.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The capital asset records were not updated for the additions and disposals of capital assets made during the year.

**Recommendation:**

The district/charter school/renaissance school project should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The district/charter school/renaissance school project is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services.

**Recommendation:**

The district/charter school/renaissance school project should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)

The district transferred from special programs (fund 13), an amount that on a cumulative basis exceeded 10 percent of the total amount of special programs included in the original budget, without proper department approval.

**Recommendation:** (N/A to charter schools/renaissance school projects)

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under *N.J.A.C. 6A:23A-13.3(f)*, which is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)

The district, having an assigned state-appointed monitor, made a transfer from an advertised appropriation account without seeking and obtaining prior approval of the state monitor (*N.J.S.A. 18A:7A-55*).

**Recommendation:** (N/A to charter schools/renaissance school projects)

The district should design and implement internal controls over budget transfers to endure that, while the district is assigned a state-appointed monitor, line item transfers from an advertised appropriation account are made only after having received the approval of the state monitor.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district transferred from special programs (fund 13), an amount that on a cumulative basis exceeded 10 percent of the total amount of special programs included in the original budget, without proper board approval.

**Recommendation:** (N/A to charter schools/renaissance school project) The district should obtain board approval by a two-thirds affirmative vote of the authorized membership of the school board for any transfer from an advertised appropriation account as defined under *N.J.A.C. 6A:23A-13.3(f)*, which is cumulatively more than 10 percent of that amount.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district made board approved line-item transfers during the year but did not maintain a monthly transfer report and year-to-date transfers in a format prescribed by the Commissioner or approved by the Executive County Superintendent.

**Recommendation:** (N/A to charter school/renaissance school projects)  
The district should maintain a monthly and year-to-date report of all line item transfers in a format prescribed by the Commissioner or approved by the Executive County Superintendent.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district transferred funds to School Administration that on a cumulative basis exceeded 10 percent of the total amount of the original budget for School Administration without proper department approval.

**Recommendation:** (N/A to charter schools/renaissance school projects)  
Executive County Superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), or administrative information technology (252)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district recorded unbudgeted revenue from the sale of equipment and subsequently appropriated additional funds without department approval. Proceeds from the sale of equipment are not one of the revenue sources pursuant to *N.J.A.C. 6A:23A-13.3(d)* for which department approval is not required.

**Recommendation:** (N/A to charter schools/renaissance school projects)  
The district must obtain Executive County Superintendent approval for the additional appropriation of funds resulting from unbudgeted revenue that is not exempt under the code.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district received Executive County Superintendent approval to appropriate surplus not included in the original budget to repair a gymnasium floor. A review of completed purchase orders/vouchers at year end indicated that the gymnasium floor had not yet been repaired.

**Recommendation:** (N/A to charter schools/renaissance school projects)  
Any special request to appropriate unbudgeted surplus during the year should be completed for the original intended purpose by the end of the school year.

**Finding 201X-xxx (CAFR Finding 201X-xxx):** (N/A to charter schools/renaissance school projects)  
The district transferred surplus not included in the original budget certified for taxes to capital reserve during the year (at a time other than between June 1-June 30 as authorized by *N.J.A.C. 6A:23A-14.3*) by board resolution without voter approval. [Note to auditor: A district that has moved to a November election and included a deposit to capital reserve in the original budget certified for taxes certified by the

board of education and approved by the executive county superintendent , is within their budget cap and is deemed to have met the “voter approval” requirement of *N.J.A.C. 6A:23A-14.1 (c)(1).*]

**Recommendation:** (N/A to charter schools/renaissance school projects)

Deposits into capital reserve should only be made when voter approval has been obtained. Districts should obtain voter approval through either the original budget certified for taxes or a special question or referendum.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The district did not record the potential liability or disclose the loss contingency related to the ongoing labor contract negotiations as required by GASBI 6 and GASBS 62.

**Recommendation:** Potential liabilities and/or loss contingencies related to ongoing labor contract negotiations must be accrued and reported.

**Treasurer's Records:** (because the treasurer’s position is an optional position, required records & reports may be prepared and maintained by other board designated personnel)

The following items were noted during our review of the records of the Treasurer [or board secretary or chief school administrator if there is no Treasurer].

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The treasurer’s records were maintained by an employee of the board appointed to the position of Treasurer of School Moneys.

**Recommendation:**

The board must appoint a suitable person except a member or employee of the board as Treasurer of School Moneys.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The Treasurer [or chief school administrator or board designee other than the board secretary if there is no treasurer] did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (*N.J.S.A. 18A:17-9*).

**Recommendation:**

Each month, the Treasurer [or chief school administrator or board designee other than the board secretary if there is no treasurer] should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Not all cash receipts were promptly deposited. (*N.J.S.A. 18A:17-34, 18A:17-9.1*)

**Recommendation:**

The Treasurer [the board secretary if there is no treasurer] should promptly deposit all cash receipts.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's 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 Board Secretary.



**Pupil Transportation (N/A to charter schools/renaissance school projects)**

Our audit procedures included a test of on roll status reported in the 2017-18 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

An examination of the school district's aid-in-lieu payment records revealed that aid-in lieu payments for transportation of students were made directly to the school of attendance, and not sent and made directly to the parent or legal guardian as required by regulations.

**Recommendation:**

The district board of education should adopt internal controls designed to ensure that Aid-in-lieu payments for transportation of students should only be remitted and distributed directly to the parent or legal guardian of the student in accordance with *N.J.A.C. 6A:27-2.3 (d)*.

**Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)**

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 and reauthorized. Note to auditor: Refer to Section II-SA of this Audit Program for E.S.E.A. flexibility waiver information that may affect requirements that school districts would otherwise implement during the 2016-17 and 2017-18 school years.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Salary charges were not documented each pay period. Allocated salary charges for teaching staff members were not supported by employee time sheets.

**Recommendation:**

The allocation of salaries among federal/state grants should be supported by employee time sheets.

**Findings 201X-xxx (CAFR Finding 201X-xxx):**

Three A.B.C. computers and software 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 201X-xxx (CAFR Finding 201X-xxx):**

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 district's/charter school's/renaissance school project'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 201X-xxx (CAFR Finding 201X-xxx):**

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 201X-xxx (CAFR Finding 201X-xxx):**

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 districts/charter schools/renaissance school projects can print out the DOENET screen for an auditor) filed with the Department of Education for district/charter school/renaissance school project employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

**TPAF Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and {comment on any errors in the calculation} or state that no exceptions were noted.

**Nonpublic State Aid (N/A to charter schools/renaissance school projects)**

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Project Completion Reports were not finalized and transmitted to the department by the due date.

**Recommendation:**

The district must file nonpublic state aid project completion reports, in accordance with departmental instructions, by the due date.

**School Purchasing Programs (Note to auditors: Public Schools Contracts Law doesn't apply to renaissance school projects)**

**Contracts and Agreements Requiring Advertisement for Bids (N/A to renaissance school projects)**

*N.J.S.A.* 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the [NJ Local Agency Procurement Laws webpage: https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html](https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html).

Current statute is posted on the [New Jersey Legislature \(http://www.njleg.state.nj.us/\) website](http://www.njleg.state.nj.us/).

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:18A-3 and 4.

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$19,000 for 2017-18.

The district board of education/charter school board of trustees 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.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements 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.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A.* 18A:18A-5.

**Finding 201X-xxx (CAFR Finding 201X-xxx): (N/A to renaissance school projects)**

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)

**Recommendation:**

The district /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 201X-xxx (CAFR Finding 201X-xxx): (N/A to renaissance school projects)**

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/charter school'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 201X-xxx (CAFR Finding 201X-xxx): (N/A to renaissance school projects)**

The school district/charter school entered into a contract for building maintenance services that exceeded 2 million (less than 10 million) and did not notify the Office of the State Comptroller within 20 days of award as required by N.J.S.A. 52:15C-10.

**Recommendation:**

The school district/charter school should adopt internal control procedures over procurement and purchasing to ensure documentation of compliance with the notification requirements imposed by N.J.S.A. 52:15C-10.

**Finding 201X-xxx (CAFR Finding 201X-xxx): (N/A to renaissance school projects)**

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).

**Recommendation:**

All bids should be unsealed and announced publicly in the presence of the parties bidding or their agents.

**Finding 201X-xxx (CAFR Finding 201X-xxx): (N/A to renaissance school projects)**

The board awarded a contract for insurance coverage and (or) consultant services with reference in the awarding resolution to extraordinary unspecifiable services as provided by N.J.S.A. 18A:18A-5 (10). However, upon examination, we found that the procurement process did not comply with N.J.A.C 5:34-2.3. Specifically, the process failed to include the requirements at N.J.A.C. 5:34-2.3(b) for the awarding of contracts under the EUS provisions which exceed the bid threshold and at N.J.A.C. 5:34-2.3 (c) for placement of a notice of the action in an official newspaper.

**Recommendation:**

The board of education/board of trustees should adopt internal control procedures designed to ensure compliance with the Extraordinary Unspecified Services provisions of public school contracts law.

**Information for Charter Schools Only**

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school constructed a facility utilizing state and local school funds in violation of N.J.S.A.18A:36A-10

**Recommendation:**

The charter school should only utilize eligible federal or private funds for construction of a facility.

**School Food Service**

*Required Comments for a School Food Service Program that has not Been Audited as a Major Program, but has expended \$100,000 or more in Federal and/or State Support:*

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of

school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

If non-program foods were not purchased, prepared, sold, or offered for sale, comment in kind.

If non-program foods were purchased, prepared, sold, or offered for sale, provide one of the following two comments:

- The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.  
or
- The B-5 does not separate program and non-program revenue and program and non-program cost of goods sold.

Note to Auditor: The Schedule of Meal Count Activity is not a required presentation where the School Food Service Program has not been audited as a major program.

**Required Comments for a School Food Service Program that has been audited as a major program:**

[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 service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

(If applicable) The district/charter school/renaissance school project utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will [break even] [return a profit of at least \$XX.] [incur a loss of not more than \$XX]. The operating results provision has (has not) been met. (New this year) All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food

Services employees authorized by the board of education/board of trustees. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications /or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

If non-program foods were not purchased, prepared, sold, or offered for sale, comment in kind.

If non-program foods were purchased, prepared, sold, or offered for sale, provide one of the following two comments:

1. The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue AND program and non-program cost of goods sold.
- or**
2. The B-5 does not separate program and non-program revenue AND program and non-program cost of goods sold. (This comment requires that the CPA issue a finding and recommendation in the AMR to be addressed in the CAP uploaded to the NJDOE repository and emailed to CAP@ag.nj.gov.)

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

*Auditor's Note: The AICPA Audit Guide *Government Auditing Standards* and the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (200.502 (g))*; define food commodities distributed as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by school districts/charter schools/renaissance school projects must be reflected as revenue and expenditures, respectively.*

In the event that single inventories are not maintained sufficiently to allow the auditor to include this activity in the financial statements and schedules, a finding and recommendation must be included in the Auditor's Management Report.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Food service accounting records maintained by the district's/charter school's/renaissance school project's central administration office did not agree with the records maintained by the food service director.

**Recommendation:**

The district /charter school/renaissance school project should establish procedures that will reconcile the food service director's records and the food service records maintained by the central administration office.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The district's/charter school's/renaissance school project's food service receipts were not deposited promptly and supporting documentation did not reconcile with the amounts deposited.

**Recommendation:**

The district's/charter school's/renaissance school project's food service receipts should be deposited promptly and intact. Amounts deposited should reconcile to the supporting documentation.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Meals claimed did not agree with meal count records resulting in an over/under claim, as detailed on the Schedule of Meal Count Activity (See section II-60).

**Recommendation:**

Prior to submitting reimbursement claims to the New Jersey Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

**Findings 201X-xxx (CAFR Finding 201X-xxx):**

A number of exceptions were noted regarding free and reduced price meal applications. Applications were not properly completed or were missing. The resulting over claim/under claim has been identified by the auditor on the federal and/or state Schedules of Meal Count Activity.

**Recommendation:**

The free and reduced price meal applications/documentation or Household Information Surveys should be properly completed as required and available for audit. Incomplete or missing applications should be included in the paid (denied) category.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Applications were placed in the incorrect category. The resulting over claim/under claim has been identified by the auditor on the federal and/or state Schedules of Meal County Activity.

**Recommendation:**

The free and reduced price meal applications or Household Information Surveys should be reviewed by district/charter school/renaissance school project personnel and properly classified as free or free equivalent, reduced price or reduced price equivalent, or paid.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The school district/charter school/ renaissance school project did not separate program and non-program revenue and cost of goods sold.

**Recommendation:**

The school district/charter school/ renaissance school project should establish a system to ensure that the separation of program and non-program revenue and cost of goods sold occurs.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The salary of the designated determining and/or the confirming official in the Community Eligibility Provision School was charged to the food service fund.

**Recommendation:**

The school district/charter school/renaissance school district should charge the salary of the designated determining and the confirming official in the Community Eligibility Provision school to the general fund.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The Community Eligibility School (CEP) used the Federal Application for Free or Reduced Price Meals for the determination of student's low-income status for ASSA reporting.

**Recommendation:**

The CEP school, school district, charter school, or renaissance school project may not use the Federal Application for Free or Reduced Price Meals for purposes of determining income status. CEP schools must utilize the State of New Jersey Household Information Survey for CEP Schools to determine a students' low-income status for ASSA reporting.

**(New sample finding and recommendation)**

**Finding 201X-xxx (CAFR Finding 201X-xxx)**

The Food Service Management Company's monthly invoices and operating statements did not include and identify the source and amounts of discounts, rebates and credits applicable to the district.

**Recommendation:**

The school district/charter school/renaissance school project should ensure that the Food Service Management Company completely and accurately reports all applicable discounts, credits and rebates on their monthly invoices and operating statements.

**Student Body Activities**

During our review of the student activity funds, the following items were noted.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The board had no policy that clearly established the regulation of student activity funds.

**Recommendation:**

The board should approve a policy establishing the regulation of student activity funds.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Not all cash receipts were promptly deposited. (N.J.A.C. 6A:23A-16.12)

**Recommendation:**

All cash receipts should be promptly deposited.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

Not all cash disbursements had proper supporting documentation. (N.J.A.C. 6A:23A-16.12)

**Recommendation:**

Proper supporting documentation should be maintained for all cash disbursements.

**Application for State School Aid (ASSA)**

(Not applicable to charter schools or renaissance school projects)

Our audit procedures included a test of information reported in the October 15, 201X Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the ASSA was compared to the district workpapers without exception. {or explain any exceptions found during the audit process}. The information included as part of the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.



**For Charter Schools/Renaissance School Projects Only**

(Enrollment counts and related submissions to the Department or by the renaissance school project to the renaissance school district)

Our audit procedures included a test of enrollment information on October 13, 2017 and the last day (if applicable) of school for on-roll, special education, bilingual and low-income.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school/renaissance school project had no written procedures for the proper maintenance and recording of student enrollment data.

**Recommendation:**

We recommend that the charter school/renaissance school project prepare written procedures detailing the process for the two 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 charter school/renaissance school project maintained written procedures appear to be adequate for the recording of student enrollment data.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school/renaissance school project had documentation on file for Free and Reduced Lunch or a Household Information Survey but never forwarded copies to the resident/renaissance school district.

**Recommendation:**

All documentation, for which state aid is based, must be forwarded to the resident/renaissance school district.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

There were two instances where a student enrolled in the charter school/renaissance school project was not in attendance for 10 days and was not dropped from the charter school's/renaissance school project's register until 20 days after the last known day of attendance. According to the Department's school register instructions, the charter school's/renaissance school project'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/renaissance school project must immediately notify the district of residence/renaissance school district in writing of this condition on the 10th day.

**Recommendation:**

The charter school/renaissance school project must make a concerted effort to notify the resident district of school dropouts in a timely manner in accordance with school register instructions.

**For Charter Schools/Renaissance School Projects Only (Continued)**

**(Enrollment counts and related submissions to the Department or by the renaissance school project to the renaissance school district)**

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school reported a student on the Charter School Enrollment System/Renaissance Enrollment Report and subsequently received aid for a special education student who is attending a private school for the disabled. The educational costs for the outside placement at the private school are paid by the resident school district and not the charter school/renaissance school project.

**Recommendation:**

The charter school/renaissance school project must establish and implement procedures to ensure that any student attending a private school for the disabled is “dropped” from the charter school/renaissance school project reporting to ensure that the district of residence/renaissance school district is not double-billed for the student.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school/renaissance school project reported full Average Daily Enrollment for a student on the Charter School Enrollment System (CHE)/Renaissance Enrollment Report and subsequently received 100% of eligible charter school/renaissance school aid for student who is attending a county vocational program. County vocational schools are funded directly by the state for all enrolled students.

**Recommendation:**

The charter school/renaissance enrollment must establish and implement procedures to ensure that the enrolled days of any student attending a county vocational program are reduced in the CHE/Renaissance Enrollment Report to reflect that the student is only enrolled at the charter school/renaissance school project part-time so as to ensure that the charter school/renaissance school project is not receiving overpayment from the district of residence/renaissance school district.

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The charter school/renaissance school project reported special education classification on the Charter School Enrollment System/Renaissance Enrollment Report for a student who was identified and began receiving related services subsequent to October 15th. Students identified after October 15th must be reported in the subsequent year.

**Recommendation:**

The charter school/renaissance school project must establish and implement procedures to ensure reporting of Special Education Categorical Aid only for students who are identified and receiving related services prior to the October 15th ASSA reporting deadline.

**Miscellaneous**

**Finding 201X-xxx (CAFR Finding 201X-xxx): (Not applicable to charter schools or renaissance school projects)**

The school district did not comply with continuing disclosure agreements made in relation to prior year(s) bond issuances.

**Recommendation:**

In accordance with Local Finance Notice 2014-9, the school district must take appropriate action to identify continuing disclosure contractual obligations with respect to past issuances of debt while that debt remains outstanding. These obligations generally include filing audit reports, budgets, and certain operating data with various depositories.

**Testing for Lead of All Drinking Water in Educational Facilities**

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district/charter school/renaissance school project did/did not submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Required auditor statement of assurance: The school district/charter school/renaissance school project submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g)

**Finding 201X-xxx (CAFR Finding 201X-xxx):**

The school district/charter school/renaissance school project did not submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g) .

**Recommendation:**

The school district must take immediate appropriate action to immediately test for lead in the drinking water in accordance with N.J.A.C. 6A:26-1.2 and 12.4.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations noted as current year finding "2017-XXX:"

Approved budgetary line accounts should not be over expended. (2017-XXX)

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). Corrective action had been taken on all findings in the report dated XX/YY/ZZ with the exception of the finding listed below. This finding is also included in the Schedule of Findings and Questioned Costs.

During and after the preparation and completion of the Application for Extraordinary Aid (EXAID) and supporting work papers in the area of in-district /charter school/renaissance school project costs, the district/charter school/renaissance school project did not ensure that costs were submitted in accordance with EXAID directions published by the Division of Finance. (2017-XXX)

To clarify, when a prior OFAC finding is determined not to be a finding under the single audit section, the independent auditor is only required to report the status of the finding in the AMR, and not in the CAFR.

[If there were no prior year findings and no OFAC audit report findings, indicate "Not Applicable" in this section. Do not omit the section.]

**Acknowledgment**

We received the complete cooperation of all the officials of the school district/charter school/renaissance school project and I greatly appreciate the courtesies extended to the members of the audit team.

**Schedule of Meal Count Activity**

**Anytown School District/Charter School/Renaissance School Project  
Food Service Fund  
Number of Meals Served and (Over) Underclaim  
Enterprise Fund  
For The Fiscal Year Ended June 30, 2018**

Click on the link below to access page III-4.23 containing the sample federal (III-4.23a) and state (III-4.23b) Schedule(s) of Meal Count Activity:

[ScheduleofMealCountActivity.xlsx](#)

**Anytown School District/Charter School/Renaissance School Project  
Application for State School Aid Summary  
Enrollment as of October 15, 2017**

**School Districts Only**

To link to the 3 page sample Schedule of Audited Enrollments, click on the link below:

[2017-18 ASSA.xlsx](#)

Select tab ASSA 1 of 3 to print page III-4.24 of the Audit Program.

Select tab ASSA 2 of 3 to print page III-4.24a of the Audit Program.

Select tab ASSA 3 of 3 to print page III-4.24b of the Audit Program.

**Charters Schools Only**

To link to the sample Charter School Schedule of Audited Enrollments, click on the following link:

[CharterSchSchedOfAuditEnroll.xlsx](#)

To select the Schedule of Audited Enrollments, as of October 15<sup>th</sup>, select the tab entitled “October 15”

To select the Schedule of Audited Enrollments, as of the last day of school, select the tab entitled “Last Day of School”

**Renaissance School Projects Only**

To link to the sample Renaissance School Project Schedule of Audited Enrollments, click on the following link:

[RenSchSchedOfAuditEnroll.xlsx](#)

To select the Schedule of Audited Enrollments, as of October 15<sup>th</sup>, select the tab entitled “October 15”

To select the Schedule of Audited Enrollments, as of the last day of school, select the tab entitled “Last Day of School”

## Excess Surplus Calculation

On the following pages are the sample calculation worksheets for regular school districts, charter schools/renaissance school projects county vocational districts. See Section II, Chapter 10 for the related discussion on Excess Surplus calculation. Districts required to use school-based budgeting should follow the sample calculation on page III-4.39 and refer to section II-10 of this Audit Program.

*N.J.S.A.* 18A:7F-7 requires that excess surplus for regular school districts and charter schools/renaissance school projects is calculated using 2 percent for June 30, 2005 and thereafter. Pursuant to P.L.2007, c.62, the minimum is 250,000, effective with the year ending June 30, 2007. County vocational school districts are subject to 6 percent surplus as included in either Part A or Part B of the 6 percent calculation. The illustrations that follow show the regular district calculation separately from the county vocational district sample.

Charter schools and renaissance school projects are not subject to the excess surplus limitations. Charter school auditors only are required to document the calculation of excess surplus pursuant to *N.J.S.A. 18A:7F-7* solely for the purpose of adherence to *N.J.A.C. 6A:23A-22.4(e)*, which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends "significantly less than budgeted and has accumulated a sizable surplus."

As communicated in the FY 2018 State Budget Notification broadcast to school districts dated July 14, 2017, applicable to districts that received an increase in state aid that remains unexpended/unencumbered at June 30, 2018, any amount remaining unexpended/unencumbered at June 30, 2018 falls to unreserved general fund surplus and may not be included as an adjustment to the excess surplus calculation. Also, applicable to districts that received an increase in state aid for 2017-18, and communicated in the July 14 broadcast, was authorization by the Commissioner to designate additional surplus for use in 2018-19 by board resolution between July 1, 2017 and August 1, 2017 in an amount not to exceed the increase in State Aid. [That broadcast is available at: https://homeroom5.doe.state.nj.us/broadcasts/2017/JUL/14/16724/BROADCAST%20MEMO%20COMMISSIONER%20FY18%20BUDGET%20-%20Final.pdf](https://homeroom5.doe.state.nj.us/broadcasts/2017/JUL/14/16724/BROADCAST%20MEMO%20COMMISSIONER%20FY18%20BUDGET%20-%20Final.pdf)

### CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. **The applicable sections are to be submitted as part of the Auditor's Management Report.**

Note that beginning with the excess surplus calculation for the year ending June 30, 2012 the transfer to food services is not an allowable adjustment (increase) to total general fund expenditures.

### School Bus Advertising Revenue:

Districts were provided guidance to budget and recognize current year school bus advertising revenue on line 315, 10-1992. Under *N.J.S.A. 18A:7F-7.1* and *N.J.S.A. 18A:39-31*, an adjustment to the audited excess surplus calculation is permitted in the year revenue earned under a school bus advertising contract is recognized by the district. Statute doesn't state that the district is limited to the amount not used to reduce fuel costs; accordingly, the full amount may be used as an adjustment to excess surplus in the year of recognition/receipt only. Refer to illustration on page III-4.35 – Line (J3).

*N.J.S.A. 18A:39-31* requires that 50 percent (50%) of recognized school bus advertising revenue be used to offset the fuel costs of providing pupil transportation services. Of the total revenue recognized, any portion of the 50% required by statute to be used as an offset to fuel costs in the year of revenue

recognition, but not used for that purpose **must** be established as a restricted fund balance at year end. Report the restricted year end balances on Audsum lines 90028 (Bus Advertising Revenue Reserved for Fuel Costs – Current Year Adjustment), and Audsum 90029 (Bus Advertising Revenue Reserved for Fuel Costs – Prior Year Adjustment). Include the amount(s) as adjustments in the “Detail of Other Restricted Fund Balance” calculation (refer to illustration on page III-4.35 of this Audit Program). Note that the school district budget software will preload these amounts from Audsum onto the Recapitulation of Balances Line 15 in the columns for the respective years. The prior year balance in this reserve (Audsum line 90029) was budgeted in the subsequent year’s budget (2017-18) and the current year balance in this reserve (Audsum line 90028) must be budgeted in the 2<sup>nd</sup> subsequent year’s budget (2018-19). An edit will verify that the amounts on lines 90028 and 90029 are budgeted as a revenue source. Line 90028 will preload onto Line D-2 of the budgetary calculation of Additional Excess Surplus report in the 2018-19 budget software.

In the recapitulation of fund balance reported at the end of the Budgetary Comparison Schedule (Exhibit C-1), the reserve for each of two possible years should be reported separately. Separate lines are provided in the Audsum data collection (line 90028 for current year and line 90029 for subsequent year) for each applicable year’s reserve. GASBS No. 54 requires the further categorization of the bus advertising reserve for fuel costs account balance on the Governmental Funds Balance Sheet (Exhibit B-1). Based upon the withdrawal requirements, the bus advertising reserve for fuel costs has significant externally imposed restrictions on its use and should be categorized as “Restricted” fund balance. The same categorization is applicable to the General Fund Budgetary Comparison Schedule (Exhibit C-1).

Excess Surplus Calculation- Regular Districts/Charter School/Renaissance School Project

Section 1

A. 2% Calculation of Excess Surplus		
2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1		\$_____ (B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		\$_____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund		\$_____ (B1b)
Transfer from General Fund to SRF for PreK-Regular		\$_____ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion		\$_____ (B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$_____ (B2a)	
Assets Acquired Under Capital Leases	\$_____ (B2b)	
Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$_____ (B3)	
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$_____ (B4)	
Enter Greater of (B4) or \$250,000	\$_____ (B5)	
Increased by: Allowable Adjustment *	\$_____ (K)	
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		\$_____ (M)

Section 2

Total General Fund - Fund Balances @ 6/30/2018

(Per CAFR Budgetary Comparison Schedule C-1)

Decreased by:		\$_____ (C)
Year-end Encumbrances		\$_____ (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures		\$_____ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$_____ (C3)	
Other Restricted Fund Balances ****	\$_____ (C4)	
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$_____ (C5)	
Additional Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures July 1, 2018-August 1, 2018	\$_____ (C6)*****	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$_____ (U1)

SECTION 3



Section 1  
 Restricted Fund Balance – Excess Surplus\*\*\*[(U1)-(M)] IF NEGATIVE ENTER -0 - \$ \_\_\_\_\_(E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures \*\* \$ \_\_\_\_\_ (C3)  
 Reserved Excess Surplus \*\*\*[(E)] \$ \_\_\_\_\_ (E)  
 Total Excess Surplus [(C3) + (E)] \$ \_\_\_\_\_(D)

**Footnotes:**

\*Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve – General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
- (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

***Detail of Allowable Adjustments***

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ ( I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ _____ (K)

\*\* This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

\*\*\* Amounts must agree to the June 30, 2018 CAFR and must agree to Audit Summary Line 90030.

\*\*\*\* Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

\*\*\*\*\* Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year’s expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district

budget. Refer to the Commissioner’s Broadcast of July 13, 2018 at the [NJDOE Broadcast webpage https://homeroom5.doe.state.nj.us/broadcasts/](https://homeroom5.doe.state.nj.us/broadcasts/) and to page I-4.2 of this Audit Program.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Emergency reserve	\$ _____
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve – current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve –prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
 Total Other Restricted Fund Balance	 \$ (C4)

*The following example illustrates the proper calculation of the 2 percent excess surplus for districts not required to use school-based budgeting (SBB). Note that the references (a), (b), etc. are for purposes of this illustration only.*

**Example:** The school district had total general fund expenditures (from exhibit C-1 of CAFR) of \$7,500,000. Included in the general fund expenditures were “On-Behalf State Aid Payments” (TPAF Pension & Social Security) of \$405,000 and Assets Acquired Under Capital Lease of \$182,000. General fund transfers to other funds not included in the general fund expenditures of the CAFR, but added to the calculation, Transfer from Capital Outlay to Capital Projects of \$60,000; Transfer from Capital Reserve to Capital Projects (augment SCC/SDA grant) of \$12,000; Trans. from General Fund to SRF for Preschool - Regular of \$10,000; and Trans. from General Fund to SRF for Preschool - Inclusion of \$5,000. The district received \$2,000 in federal impact aid revenue during 2017-18 and recognized \$1,000 of School Bus Advertising Revenue during 2017-18. In the June 30, 2018 general ledger reflects that the district had the following: \$4,900 of year-end “other purposes” encumbrances reported in the “Committed” fund balance category (GASBS 54); \$9,000 legally restricted reported in the “Restricted” fund balance category (GASBS 54) from an unexpended 2016-17 additional spending proposal required to be designated/appropriated in the 2018-19 budget; \$45,000 reserved June 30, 2017 excess surplus required to be designated/appropriated in the 2018-19 budget reported in the “Restricted” fund balance category (GASBS 54); \$10,000 additional assigned fund balance – Unreserved-Designated for Subsequent year’s Expenditures July 1, 2018-August 1, 2018 by special board resolution in response to the 2018-19 decrease in state aid; \$90,000 unreserved and designated in the 2018-19 budget reported in the “Assigned” fund balance category (GASBS 54); and \$395,000 unreserved/undesignated reported in the “Unassigned” fund balance category (GASBS 54) prior to calculating June 30, 2018 excess surplus.

2017-18 Total General Fund Expenditures			\$7,500,000	(a)
Increased by Applicable Operating transfers:	\$60,000	(b)		
Transfer from Capital Outlay to Capital Projects	12,000	(b)		
Transfer from Capital Reserve to Capital Projects	10,000	(b)		
Trans. from General Fund to SRF for Preschool (Regular)	5,000	(b)		

Trans. from General Fund to SRF for Preschool (Inclusion)				
Decreased by:				
On-Behalf State Aid Payments	(405,000)			
Assets Acquired Under Capital Leases	(182,000)			
Adjusted General Fund Expenditures			7,000,000	
Applicable Excess Surplus Percentage			<u>x .02</u>	
2% of Adjusted 2017-18 General Fund Expenditures			\$ 140,000	(A)
Greater of (A) or \$250,000	\$ 250,000			
Increased by:				
Allowable Adjustment	3,000	(c)		
Maximum Unreserved/Undesignated Fund Balance	\$ 253,000			
Total General Fund fund balance (June 30, 2018)			\$ 563,000	
Decreased by:			(4,900)	
Year-End Encumbrances				
Legally Restricted – Designated for Subsequent Year’s Expenditures			(9,000)	(d)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures			(55,000)	(d)
Assigned fund balance - Unreserved -- Designated for Subsequent Year’s Expenditures			(90,000)	(d)
Assigned fund balance - Unreserved -- Designated between July 1, 2018 and August 1, 2018 by special board resolution for Subsequent Year’s Expenditures			(10,000)	(d)
Total Unassigned Fund Balance			395,000	
Reserved – Excess Surplus (June 30, 2018)			\$ 142,000	(e)
<b>Recapitulation of Excess Surplus as of June 30, 2018</b>				
Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures, (Audsum line 90031)			\$ 55,000	(f)
Reserved Excess Surplus – (Audsum line 90030)			142,000	(g)
Total Excess Surplus			\$197,000	

- (a) Total General Fund Expenditures obtained from June 2018 CAFR Exhibit C-1 Budgetary Comparison Schedule – General Fund.
- (b) Include operating transfer expenditures that relate to the general fund but were required to be maintained in another fund. Do not include general fund transfers to Capital Reserve or Debt Service Fund, or Facilities Grant transfer to Special Revenue.

- (c) This adjustment line is to be utilized for Impact Aid, Sale and Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, and School Bus Advertising Revenue Recognized during the current year, if applicable.
- (d) The aggregate of \$164,000 represents the total amount of General Fund - fund balance appropriated in the 2018-19 General Fund budget.
- (e) If this amount is negative enter zero (-0-).
- (f) Represents surplus generated in 6/30/17, and budgeted in 2018-19.
- (g) Represents surplus generated in 6/30/18 (required to be budgeted in 2019-20).

**Illustrative Excess Surplus Calculation and Instructions for Districts Required To Use School-Based Budgeting**

This section is included to provide detailed instructions on preparing the excess surplus calculations in districts required to use school-based budgeting. Excess surplus is a budget related calculation using the General Fund expenditures and fund balance of the budgetary comparisons statements/schedules. The amounts used in the calculation must be taken from the Budgetary Comparison Schedule – General Fund (Exhibit C-1). The calculation for SBB districts must be adjusted to reduce the total general fund budgetary expenditures by the amount allocated to restricted federal resources in fund 15. The calculation must also separate the assets acquired under capital leases with state and local funds from those acquired with the allocated federal resources.

**Sample Excess Surplus Calculation for Any town School District (a School Based Budget District)**

**Section 1**

Calculation A: 2 Percent Excess Surplus:

**Excess Surplus Calculation- Regular Districts required to use school-based budgeting are required to complete this calculation using 2 percent on line A10.**

2017-18 Total General Fund Expenditures Reported on Exhibit C-1	\$_____ (A)	
Increased by Applicable Operating Transfers		
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$_____ (A1a)	
Transfer from Capital Reserve to Capital Projects Fund	\$_____ (A1a)	
Transfer from General Fund to SRF for PreK-Regular	\$_____ (A1a)	
Transfer from General Fund to SRF for PreK-Inclusion	\$_____ (A1a)	
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$_____ (A1b)	
Adjusted 2017-18 General Fund & Other State Expenditures [(A)+(A1a)-(A1b)]		\$_____ (A2)
Decreased by:		
On-Behalf TPAF Pension & Social Security		\$_____ (A3)

Assets Acquired Under Capital Leases: General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ _____	(A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired under Capital Leases: Assets Acquired Under Capital Leases in Fund 15 reported on Exhibit C-1a	\$ _____	(A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	\$ _____	(A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ _____	(A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	\$ _____	(A8)
2017-18 General Fund Expenditures [(A2)-(A3)- (A8)]	\$ _____	(A9)
2 percent of Adjusted 2017-18 General Fund Expenditures [(A9) times .02]	\$ _____	(A10)
Enter Greater of (A10) or \$250,000	\$ _____	(A11)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ _____	(M)

Line	Instructions for Section 1 Calculation
(A)	The total combined general fund expenditures (Funds 11-13 plus Fund 15) reported in the actual column of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1). Note this is a balance based on budgetary amounts.
(A1a)	Include selected operating transfer expenditures that relate to the general fund but were required to be maintained in another fund. Do not include general fund transfers to food services, Capital Reserve or Debt Service Fund, or Facilities Grant transfer to Special Revenue Fund.
(A1b)	The total Fund 15 expenditures allocated to restricted federal resources reported on the districtwide Schedule of Expenditures Allocated by Resource Type – Actual for the Fiscal Year Ended June 30, 2018 (Exhibit D-2).
(A2)	Add line(s) (A1a) and subtract line (A1b) from line (A). This results in the total amount of general fund expenditures being used to calculate the maximum “Unassigned” fund balance for district required to use school-based budgeting.
(A3)	The sum of the non-budgeted TPAF pension on-behalf payment plus the non-budgeted TPAF social security reimbursement reported in the State Sources section of the <i>Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1).
(A4)	The total Fund 10 assets acquired under capital leases amount is obtained from the Actual Operating Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a).

Line	Instructions for Section 1 Calculation
(A5)	The Fund 15 assets acquired under capital leases amount is obtained from the Actual Blended Resource Fund column of the <i>Combining Budgetary Comparison Schedule – General Fund</i> (Exhibit C-1a).
(A6)	The percentage of the overall districtwide Fund 15 expenditures, which were funded with general fund contribution or state resources. This percentage is obtained from the line entitled “Combined General Fund Contribution & State Resources” on the district-wide <i>Blended Resource Fund 15 - Schedule of Expenditures Allocated by Resource Type – Actual</i> (Exhibit D-2).
(A7)	The general fund and state resources portion of Fund 15 assets acquired under capital leases and is determined by multiplying the total Fund 15 assets acquired under capital leases reported on line (A5), by the combined general fund contribution and state resources percentage reported on line (A6).
(A8)	The total assets acquired under capital leases with general fund contribution and state resources. Line (A8) is the sum of lines (A4) and (A7).
(A9)	The total adjusted expenditures upon which the maximum unreserved/undesignated fund balance is calculated; the result of line (A2) minus line (A3) minus line (A8).
(A10)	This line represents 2 percent of general fund expenditures and is calculated by multiplying line (A9) by 2 percent.
(A11)	The maximum allowable amount of unreserved/undesignated fund balance, prior to allowable adjustments.
(K)	This line is calculated in Section 3 of the excess surplus calculations.
(M)	The total maximum allowable “Unassigned” fund balance. This amount is calculated here as line (A11) plus line (K).
*	This adjustment line (line (K) as detailed below) is to be utilized for Impact Aid, Sale, Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, and recognized current year School Bus Advertising Revenue, if applicable. Extraordinary Aid and Additional Nonpublic School Transportation Aid for 2017-18 received after June 30 is limited to the amount of revenue recognized in the audit year that was not appropriated.

**Detail of Allowable Adjustments**

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ =====	(K)

**Detail of Allowable Adjustments: Lines and Descriptions**

<b>Line</b>	<b>Description</b>
(H)	Line H represents the amount of Impact Aid received by the district during 2016-17. This amount is obtained from the line entitled "Federal Sources: Impact Aid" on the <i>Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual</i> (Exhibit C-1a). This amount is reported net of any amount transferred to Impact Aid general fund reserve or Impact Aid capital fund reserve.
(I)	Line I represents the proceeds realized from the sale-lease back of textbooks and non-consumable instructional materials during the current year, and is excluded from the calculation of excess undesignated general fund balance. See the Audit Program Section II-10.13 for a more detailed discussion of this adjustment.
(J1)	Line J1 represents the extraordinary aid received after June 30 for 2017-18. This amount can only be excluded from the excess surplus calculation if the district can clearly document that they did not budget this additional aid during the 2017-18 fiscal year for which they filed an application. See Section II-10.4 for a more detailed discussion of this adjustment.
(J2)	This line is used for Additional Nonpublic Transportation Aid received after June 30, but recorded in 2017-18. This amount is only excluded from the excess surplus calculation if the district can document that they did not budget the additional aid during 2017-18.
(J3)	This line is used for School Bus Advertising Revenue recognized during 2017-18. This amount is excluded from the current year excess surplus calculation as required by <i>N.J.S.A. 18a:7F-7.1</i>
(J4)	This line is used for Family Crisis Transportation Aid received after June 30, but recorded in 2017-18. This amount is excluded from the excess surplus.
(K)	Line (K) is the sum of lines (H), (I), (J1), (J2), and (J3) and represents the total allowable adjustment to increase the maximum unreserved/undesignated fund balance.

**Section 2:**

Total General Fund – Fund Balances at June 30, 2018	\$_____	(C)
Decreased by:		
Year-end Encumbrances	\$_____	(C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$_____	(C2)
Excess Surplus – Designated for Subsequent Year's Expenditures **	\$_____	(C3)
Other Restricted/Reserved Fund Balances****	\$_____	(C4)
Assigned – Designated for Subsequent Year's Expenditures	\$_____	(C5)
Additional Assigned Fund Balance – Unreserved Designated for Subsequent Year's Expenditures July 1, 2018- August 1, 2018	\$_____	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$_____	(U)

**SECTION 2 – Instructions:**

Refer to Chapter II-10 for additional explanation of the types of reserved fund balance permitted as a decrease in this calculation.

- Line Description
- (C) The total general fund balance at June 30, 2018 (combined Fund 10 and Fund 15) per the *Budgetary Comparison Schedule* (Exhibit C-1).
- (C1) The total general fund balance reserved for encumbrances at June 30, 2018 (combined Fund 10 plus Fund 15).
- (C2) The amount of general fund balance (combined Fund 10 and Fund 15) legally restricted for subsequent year’s expenditures. This amount is to be appropriated in the 2018-19 general fund budget.
- (C3) The June 30, 2017 excess surplus amount. This amount must be included in the Audit Summary Worksheet Line 90031, and appropriated in the 2018-19 general fund budget.
- (C4) Other reserved fund balances. (Such as Adult Ed. Programs, maintenance reserve, Impact Aid general fund reserve or Impact Aid capital fund reserve etc.) See required detailed statement below.
- (C5) The Assigned fund balance designated for subsequent year’s expenditures. This amount is to be appropriated in the 2018-19 general fund budget.
- (C6) Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year’s expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget. ([Budget Guidance broadcast https://www.nj.gov/education/finance/fp/dwb/guidelines/Guidance19.pdf](https://www.nj.gov/education/finance/fp/dwb/guidelines/Guidance19.pdf))
- (U) The total Unassigned fund balance at June 30, 2018. This amount is determined by subtracting lines (C1), (C2), (C3), (C4), (C5), (C6) from line (C). This is the amount that will be compared to the maximum Unassigned fund balance reported on line (M) to determine whether an excess surplus situation exists at June 30, 2018.
- \*\* This amount represents the **June 30, 2018** Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line **90031**.

\*\*\*\*\* Amount for Other Restricted/Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant Commissioner - Field Services prior to September 30.

- (N-1) Capital reserve at June 30, 2018.
- (N-2) Maintenance reserve minimum required under EFCFA.
- (N-3) Tuition reserve at June 30, 2018.
- (N-4) Emergency reserve at June 30, 2018.
- (N-5) School bus fuel offset reserve – current year – June 30, 2018
- (N-6) School bus fuel offset reserve – prior year – June 30, 2018
- (N-7) Impact Aid general fund reserve at June 30, 2018
- (N-8) Impact Aid capital fund reserve at June 30, 2018

***Detail of Other Restricted/Reserved Fund Balance***

**Statutory restrictions:**

Approved unspent separate proposal \$ \_\_\_\_\_  
 Sale/lease-back reserve \$ \_\_\_\_\_



Capital reserve (N-1)	\$ _____
Maintenance reserve (N-2)	\$ _____
Tuition reserve (N-3)	\$ _____
Emergency reserve (N-4)	\$ _____
School Bus Advertising 50% Fuel Offset Reserve – current year (N-5)	\$ _____
School Bus Advertising 50% Fuel Offset Reserve –prior year (N-6)	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	\$ _____
\$ _____	
<b>Other Restricted/Reserved Fund Balance not noted above****</b>	\$ _____
<b>Total Other Restricted/Reserved Fund Balance</b>	\$ _____ (C4)

**Section 3:**

Restricted Fund balance – Excess Surplus ***[(U)-(M)] <b>If Negative Enter–0</b>	\$=====	(E)
Summary:		
Restricted Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____	(C3)
Restricted Excess Surplus ***	\$ _____	(E)
Total [(C3) + (E)]	\$ _____	(D)
	=====	

**Section 3 – Instructions:**

Recapitulation of Excess Surplus as of June 30, 2018

Line	
(C3)	Line (C3) represents excess surplus generated at June 30, 2017 and should be included on the 2017-18 Audit Summary Worksheet Line 90031. This amount was to be appropriated in the 2018-19 general fund budget.
(E)	This line represents the excess surplus generated at June 30, 2018 and must agree with the June 30, 2018 CAFR and be reported in the 2017-18 Audit Summary Worksheet Line 90030.
(D)	Line (D) represents the sum of the June 30, 2017 and June 30, 2018 excess surplus (lines (C3) + (E). ***See (E) above. The amount entered must agree with the <b>June 30, 2018</b> CAFR and Audit Summary Worksheet Line <b>90030</b> .

**6 Percent Calculation – Vocational Districts**

County vocational districts must perform the 6 percent calculation.

Amounts calculated in excess of 6 percent that have not been appropriated in the 2018-19 original budget certified for taxes must be reported in the “Restricted Fund Balance” category (GASBS 54) as general fund “Reserved Fund Balance - Excess Surplus” in the June 30, 2018 CAFR and appropriated in the 2019-20 budget. The amount which has been included in the 2018-19 budget should be reported in the “Restricted Fund Balance” category (GASBS 54) as general fund "Reserved Fund Balance - Excess Surplus, Designated for Subsequent Year's Expenditures." Note disclosures should describe the nature of the excess surplus and the amount budgeted in the 2018-19 original budget certified for taxes and the amount reserved for the subsequent year budget.

For districts with expenditures equal to or less than \$100 million, any unreserved/undesignated general fund surplus amounts in excess of the greater of 6 percent of general fund expenditures or \$250,000 (after allowable adjustments) is excess surplus. For districts with expenditures greater than \$100 million any unreserved/undesignated general fund surplus amounts greater than the sum of 3 percent of general fund expenditures in excess of \$100 million plus \$6,000,000 and allowable adjustments is excess surplus. Any excess surplus amount must be reserved for appropriation in the 2018-19 original certified budget.

**Excess Surplus Calculation-County Vocational Districts**

**Section 1**

**A. 6% Calculation of Excess Surplus (2017-18 expenditures of \$100 million or less)**

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1 \$\_\_\_\_\_ (B)

Increased by:

Transfer from Capital Outlay to Capital Projects Fund \$\_\_\_\_\_ (B1a)  
 Transfer from Capital Reserve to Capital Projects Fund \$\_\_\_\_\_ (B1b)

Decreased by:

On-Behalf TPAF Pension & Social Security \$\_\_\_\_\_ (B2a)  
 Assets Acquired Under Capital Leases \$\_\_\_\_\_ (B2b)

Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)] \$\_\_\_\_\_ (B3)

6% of Adjusted 2017-18 General Fund Expenditures [(B3) times .06] \$\_\_\_\_\_ (B4)

Enter Greater of (B4) or \$250,000 \$\_\_\_\_\_ (B5)

Increased by: Allowable Adjustment \* \$\_\_\_\_\_ (K)

Maximum Unassigned/Unreserved-Undesignated Fund Balance [(B5)+(K)] \$\_\_\_\_\_ (M)

\* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Aid and Transportation Aid. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

**B. 6% Calculation of Excess Surplus (2016-17 expenditures greater than \$100 million)**

2017-18 Total General Fund Expenditures \$\_\_\_\_\_ (B)

Increased by:

Transfer from Capital Outlay to Capital Projects Fund \$\_\_\_\_\_ (B1a)  
 Transfer from Capital Reserve to Capital Projects Fund \$\_\_\_\_\_ (B1b)

Decreased by:

On-Behalf TPAF Pension & Social Security \$\_\_\_\_\_ (B2a)  
 Assets Acquired Under Capital Leases \$\_\_\_\_\_ (B2b)

2017-18 Adjusted General Fund Expenditures [(B)+(B1s)-(B2s)] \$\_\_\_\_\_ (B3)

2017-18 General Fund Expenditures in excess of \$100 million [(B3) minus \$100,000,000] \$\_\_\_\_\_ (B4)

3% of General Fund Expenditures in excess of \$100 million [(B4) times .03]	\$ _____ (B5)
(B5) Plus \$6,000,000	\$ _____ (B6)
Increased by: Allowable Adjustment *	\$ _____ (K)
Maximum Unassigned/Unreserved-Undesignated Fund Balance [(B6)+(K)]	\$ _____ (M)

\* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid; Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10); Extraordinary Aid; Additional Nonpublic School Aid and Transportation Aid; and School Bus Advertising Revenue Recognized during the current year,. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

**Section 2**

Total General Fund - Fund Balances @ 6/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	\$ _____ (C)
Decreased by:	
Year-end Encumbrances	_____ (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ (C3)
Other Restricted Fund Balances ****	\$ _____ (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ _____ (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ _____ (U1)

**Section 3**

Restricted Fund Balance –Excess Surplus\*\*\*[(U)-(M)] IF NEGATIVE ENTER -0-\$ \_\_\_\_\_ (E)

**Recapitulation of Excess Surplus as of June 30, 2018**

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ (E)
Total Excess Surplus[(C3) + (E)]	\$ _____ (D)

**Detail of Allowable Adjustments**

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ _____ (K)

\*\* This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amount must agree to the June 30, 2018 CAFR and Audit Summary Worksheet Line 90030.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:	\$
Approved unspent separate proposal	\$
Sale/lease-back reserve	\$
Capital reserve	\$
Maintenance reserve	\$
Emergency reserve	\$
Tuition reserve	\$
School Bus Advertising 50% Fuel Offset Reserve – current year	\$
School Bus Advertising 50% Fuel Offset Reserve –prior year	\$
Impact Aid general fund reserve	\$
Impact Aid capital fund reserve	\$
Other state/government mandated reserves	\$
Other Restricted Fund Balance not noted above****	\$
Total Other Restricted Fund Balance	\$ (C4)

\*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

## Section III – Electronic Reporting

### Chapter 5 – Audit Summary

All school districts, charter schools and renaissance school projects are required to have their auditor complete the Audit Summary (Audsum) and the CAFR and the district/charter schools/renaissance school projects must transmit the auditor completed Audsum data to the NJ Department of Education via the web application. The department uses this information for various reporting and analytical purposes. The information from the Audsum will be downloaded into the actual column of the DOE budget software used by the school district. District cannot access and revise this data via the budget program if the data is incorrect. Only the auditor can make corrections through the submission of a revised Audsum. For revisions, both the auditor and the district board secretary/business administrator must provide electronic signatures (within the web application) and revised CAFR pages must also be submitted, if applicable. **The board secretary/business administrator is responsible for performing a careful review of the reports generated by the web application and for the provision of his/her electronic signature as to the accuracy of the information. Both the auditor and district/charter school/renaissance school projects personnel are advised 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 excess surplus, special education program expenditures, food service operations, and fund balances.

For districts which operate a regional day school or other approved separate entity in addition to a regular day school, the school auditor must submit separate audit summary for each entity.

School districts, charter schools and renaissance school projects will no longer have to complete the Indirect Cost Rate Tab prior to certifying Audsum to the Department of Education. The detail for the calculation of the Indirect Cost Rate is captured within the chart of account line items and reported in Audsum accordingly. This financial information will be used to calculate the Unrestricted and Restricted Indirect Cost Rates for use with the 2019-20 federal grants

Beginning with the 2017-18 year, school districts that operate more than one school must enter school level expenditure data in Audsum. This data will be used by the NJDOE by the Office of Title I as well as by the Office of School Finance with the ultimate reporting of school level expenditure data on the school performance report in accordance with ESSA Section 1111(h)(1)(C)(x). Such school level data will not be subject to audit by the LPSA, but the totals of all data reported will be tested to match the audited data which is submitted by the LPSA.

An audit report **will be considered incomplete** until the required Audsum is received by the statutory deadline. Auditors are able to view the current certification status (CPA certified and district/charter school/renaissance school projects certified with dates for each) for each of their client districts on the CPA User Links to District(s), Charter School and Renaissance School Projects page.

#### **Fund Balance (General Fund)**

Separate lines for the breakout of the June 30 fund balance (general fund) are provided in the Audsum web application. Corresponding lines for the July 1 beginning fund balance classifications are also provided to enable reporting the appropriate balances in accordance with Governmental Accounting

Standards Board Statement No. 54 (GASBS No. 54). Reserve for encumbrances will continue to be separately reported in Audsum as Year End Encumbrances – Committed and Assigned on line 90010 and memo accounts 90015 and 90016 (fund 15).

Lines for tuition reserve enable tracking of the reserve for each of two permitted years, both the beginning and the ending balances. These balances are to be entered separately in the Audsum, and not as aggregated balances. (See Section II-10 of this Audit Program and *N.J.A.C. 6A:23A-17.1(f).8* for further reference on tuition reserve). Tuition reserve **beginning balance** lines are as follows with corresponding ending balances noted in the next paragraph:

- Current Year Beginning Balance (line 50) represents the 2065-17 tuition year. The balance in this account must be budgeted for payment in 2018-19.
- Prior Year Beginning Balance (line 51) represents the 2015-16 tuition year. The balance in this account was budgeted for payment in 2017-18.

The following list is to be followed for the classification of ending fund balance – general fund: Unspendable/Restricted/Committed/Assigned Fund Balance. Please note that the values entered in this section will impact the Recap of Balance section of the following year budget software screen. Many beginning balance errors for the following year budget preparation are due to erroneous entries on this screen. Selected lines are highlighted in the table below:

<b>Title</b>	<b>Audsum line #</b>
Legal Reserves	90025
Tuition Reserve – Current Adjustment	90050
Tuition Reserve – Prior Year Adjustment	90051
Year End Encumbrances (Reserved for Encumbrances) – Committed & Assigned	90010
*Year End/Reserved for Encumbrances – State & Local Deferred Revenue Fund 15	90015
*Year End/Reserved for Encumbrances – Federal Deferred Revenue Fund 15	90016
<b>Current year</b> excess surplus	90030
<b>Prior year</b> excess surplus designated for subsequent year's expenditure	90031
Year End Encumbrances (Reserved for encumbrances) – Capital Projects Funds	90020
Fifty Percent of School Bus Advertising Revenue Recognized – Current Year; 50% Fuel Offset	90028
Fifty Percent of School Bus Advertising Revenue Recognized – Prior Year; 50% Fuel Offset	90029
Reserved for adult education	90040
Capital reserve account	90035
Maintenance reserve account	90045
Emergency Reserve	90055
Impact Aid General Fund Reserve	90032
Impact Aid Capital Fund Reserve	90033
Debt Service Reserve	90060
Total – Reserves and Encumbrances	90065
Unassigned General Fund Balance	90075

Title	Audsum line #
Assigned Fund Balance - Designated for Subsequent Year's Expenditure (includes additional amounts designated in board resolutions between July 1, 2018 and August 1, 2018 to address the decrease in 2018-19 state aid.	90080
Repayment of Debt	90085

\*The Year End/Reserved for Encumbrances – State & Local Fund 15 and Year End/Reserved for Encumbrances – Federal Fund 15 lines are a subset of the amount reported in line 90010. The total of these two lines should match the amount reported on the Fund 15 Balance Sheet as Year End Encumbrances at the end of the audit year.

Include in Assigned Fund Balance – Designated for Subsequent Year’s Expenditures (line 90080) only those amounts which were included in the 2018-19 certified budget, or designated by board resolution between July 1, 2018 and August 1, 2018 to address the decrease in 2018-19 state aid, as budgeted fund balance that have not been included in the legal reserve line or the prior year excess surplus designated for subsequent year's expenditure. Include in the unassigned/unreserved - undesignated line all other unassigned-unreserved fund balance.

**Restricted Fund Balance – Debt Service Fund (N/A to charter schools and renaissance school projects)**  
The Debt Service Reserve line 60 is used for the beginning balance and line 90060 is used for the ending balance of this reserve. These lines are only used to report proceeds from the sale of district property (see II-40.2).

**Transfer of Surplus to the Capital Projects Fund**

When specifically approved by the voters or board of school estimate (school districts) or the Commissioner, (charter schools and renaissance school projects) 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, the restated balances after the transfer should be reported as the July 1 balances.

**Health Cost (Premium) Withholding**

There is a memo collection for health cost withholding in the 6/30/18 Audsum. See page II-90.1 for information on the withholding.

**Appropriations and Carryover**

There is a memo collection of Preschool Carryover. This amount must agree with what is reported on the Schedule of Preschool Expenditures as carryover. Preschool appropriations reported on the E-2 must agree with preschool appropriations reported in Audsum.

**Districts required to use school-based budgeting – Fund 15 Audit Summary (Audsum) (Applies only to former Abbott Districts)**

All districts are required to report school-based expenditures in the 2017-18 Audit Summary (Audsum). Please note that **Fund 15 expenditures should not be entered in the Fund 11 tab. A separate Fund 15 statement must be completed for each whole school reform school implementing school-based budgeting. Fund 15 expenditures are reported under the "School-based Expenditures" data entry screen. Failure to enter the Fund 15 data separately will result in the reporting of inaccurate data to federal and state agencies. This will also cause inaccurate data to be preloaded into upcoming budgets.**

**When reporting expenditures under the "Expenditures" data entry screen, only include expenditures related to districtwide costs and non-whole school reform schools. Fund 15 expenditures are not to be reported in the "Expenditures" data input screen.**

**Audsum Questions Related to Conditions for Appointment of State Monitor or Forensic Audit**  
(N/A to charter schools and renaissance school projects)

Questions regarding the auditor opinions, material weaknesses, repeat audit findings, capital projects fund deficits, and return of federal funds are included in Audsum to enable the department to determine whether a district meets conditions for either appointment of a state monitor or a forensic audit. *N.J.S.A. 18A:7A-55* authorizes the Commissioner to appoint a state monitor for districts which meet criteria specified in the law, and pursuant to *N.J.S.A. 18A:7A-57*, the state auditor will perform a forensic audit if a district has a general fund deficit and meets one of the criteria for state monitor.