

June 30, 2021

**Financial Accounting for
New Jersey School Districts
Charter Schools and
Renaissance School Projects**

The Audit Program

2020-21

**State Of New Jersey
Department of Education
Division of Finance
PO Box 500
Trenton, New Jersey 08625-0500**

**Angelica Allen-McMillan, Ed.D., Acting Commissioner
State Board of Education**

**Kevin Dehmer
Chief Financial Officer/Assistant Commissioner
Division of Finance**

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Secretary, State Board of Education

June 30, 2021

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[Uniform Grant Guidance](http://nj.gov/education/grants/ugg/) (nj.gov/education/grants/ugg/)

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Refer to Circular at the NJOMB web site:

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Introduction

Significant Changes for 2020-10

- Updated the audit program to reflect that pursuant to GASB No. 84, the reporting of Student Activity Fund, Scholarship Fund, Unemployment Fund and Flexible Spending Accounts are no longer reported in the Fiduciary Fund. Student Activity and Scholarship Funds are reported in the Special Revenue Fund and the Unemployment Fund and Flexible Spending Accounts are reported in the General Fund. Applicable audit program sections previously reflected in Fund 80 and Fund 90 were moved to Fund 10 and Fund 20 sections of the audit program.

Other Changes / Updates for 2020-21

The following is a summary of changes / updates:

(changes for 2020-21 are highlighted in gray)

General changes are found throughout the document.

Specific changes are found in the following sections/chapters:

Introduction

Updated the Table of Contents to reflect the implementation of GASB No. 84 for Unemployment Fund, Flexible Spending Accounts, Student Activity Fund and Scholarship Fund.

Section I-1

- Updated Scope of Audit section to reflect the implementation of GASB No. 84.
- Added that per GASB Statement No. 84, the Unemployment Fund, the Student Activity Fund and the Scholarship Fund no longer are reported in the Fiduciary Fund. Beginning in 2020-21, the Unemployment Fund is reported in the General Fund and the Student Activity and Scholarship Funds are reported in the Special Revenue Fund. Also added that the department has added three new reserve accounts to Audsum to report the year-end balance of these funds, Reserve for Unemployment Claims- General Fund; Reserve for Student Activity -Special Revenue Fund and Reserve for Scholarship Fund - Special Revenue Fund.
- Added that verification of payroll check distribution (*N.J.A.C. 6A:23A-22.8*) was temporarily suspended per [Notice of Rule Modifications N.J.A.C. 6A:27](#). The suspension was only in effect until the Termination of Emergency Declaration Pursuant to Executive Order 103 (2020).

Section I-2

- Added that *New Emergency Regulations: Remote Public Meetings Held During a Declared Emergency* issued September 24, 2020 established protocols meant to ensure continuity of government operations and transparency in conducting public business in unusual emergency circumstances. The regulations allow local public bodies to conduct public business in an open and transparent manner when the circumstances of a declared emergency reasonably prevents a public meeting from safely being held in a physical location.

- Added that the readoption of emergency regulations by the Division of Local Government Services which allowed LEAs to utilize online platforms for procuring goods, services, power supply, and contracts for public works projects, were completed with non-substantial changes and are currently are in effect.

Section I-3

- Added that on June 4, 2021, Governor Murphy signed legislation (A5820/S3866) and Executive Order No. 244 ending of the public health emergency.
- Added that for October 15, 2020, Free/Reduced lunch counts on the ASSA can include eligible students registered in the district as of October 15, 2020 that submitted Free/Reduced Lunch Applications or Household Information Surveys in 2019-20 and have not submitted applications or surveys in 2020-21.
- Deleted that on roll counts must include 3-year-old and 4-year-old “regular education” preschool students (not preschool disabled) from district School Registers in the appropriate ASSA lines. For “regular education” preschool (not preschool disabled) students free/reduced meals eligibility is not entered in the ASSA.
- Updated the Renaissance Aid calculation template.
- Added that since the October 15, 2020, Free/Reduced lunch counts on the ASSA can include eligible students registered in the district as of October 15, 2020 that submitted Free/Reduced Lunch Applications in 2019-20 and have not submitted applications in 2020-21, for FY 2020-21, carryover applications are to be included in the determination of the auditor’s sample size of the 2020-21 Free and Reduced Price Meals Applications verification pool.
- Added that auditors are to verify that if a completed valid 2020-21 Household Information Survey was not received, a completed valid 2019-20 Household Information Survey Form has been received and the determination is that the student is properly classified as Free-equivalent or Reduced-equivalent.
- Added the Every Student Succeeds Act (ESSA) includes provisions to ensure that English Language Learners (ELLs) and immigrant students are provided equitable educational opportunities to succeed academically. This is achieved by providing high quality language instruction programs that enables students to meet both state academic standards and develop English language proficiency. The language instruction educational programs are intended to supplement the New Jersey State requirements ([N.J.A.C. 6A:15 Bilingual Education Regulations](#)) which mandates the implementation of Bilingual and English as a Second Language (ESL) programs.
- Updated program alternatives to include a full-time English Language Learner program.
- Added that due to public health emergency, school districts/charter schools/renaissance school projects were not required to submit an updated ELL 3-Year Plan for SY2021.
- Added that due to public health emergency, no English Language Learner Program Waiver requests were required for SY2021.
- Updated to reflect deletion of Language Assessment Scales (LAS), published by CTB/McGraw Hill. Language Assessment Scales Links (LAS-Links) published by CTB/McGraw Hill and IDEA Proficiency Test published by Ballard & Tighe Publishing Company.

- Updated the English Language Proficiency Tests to remove MAC II Test of English Language Proficiency, published by Questar Assessment, Inc., Comprehensive English Language Learning Assessment (CELLA) published by Accountability Works, Inc and added Alternate Assessing Comprehension and Communication in English State to State for English Language Learners ALT-ACCESS for ELLs 2.0.
- Added that Section 3113 of the Every Student Succeeds Act of 2015 (ESSA) requires that all states must, “Establish and implement, with timely and meaningful consultation with local educational agencies representing the geographic diversity of the State, standardized statewide entrance and exit procedures.” Section 8101 of the ESSA defines English language learners (ELLs) as those who are denied, due to low proficiency in English speaking, reading, writing, or listening: the ability to meet the challenging State academic standards; the ability to successfully achieve in classrooms where the language of instruction is English; or the opportunity to participate fully in society.
- Added that the following criteria address the statewide evaluation and standardization of this definition for identification and exit of ELLs in Kindergarten through grade 12. The New Jersey Department of Education’s (NJDOE’s) standardized English language learner (ELL) identification and exit criteria meet the federal and state requirements in ESSA Section 3102, N.J.A.C. 6A:15-1.3, and N.J.A.C. 6A:15-1.10. Beginning in July 2019, all local education agencies (i.e., local school districts and charter schools) in New Jersey must follow these common procedures: English language learner (ELL) Identification Process.
- Added the requirement that all students entering New Jersey public schools must be evaluated using the ELL identification process articulated below. This is a three-step process which includes the multiple indicators: 1) New Jersey Home-Language Survey; 2) The Records Review Process; and 3) Testing for Identification: Multiple Indicators for Identification Step. Entrance Steps; Who can complete step/assessment, Step 1 Home Language Survey; Any individual with knowledge of student or ability to interview (e.g. Parent, Trained intake person, front office staff, Step 2 Records Review, NJ Certified Teacher e.g. Basic Skills, ESL, Bilingual, Administrator, Step 3 Testing (by a NJ Certified Staff, preferred ESL/Bilingual).
- Updated to reflect deletion of Language Assessment Scales (LAS) - CTB/McGraw Hill Publishers, IDEA Proficiency Test (IPT) - Ballard and Tighe Publishers, MACII Test of English Language Proficiency – Questar Assessment, Inc, Publishers and Comprehensive English Language Learning Assessment (CELLA).
- Added that WIDA Screener is an English language proficiency assessment given to new students in Grades 1–12 to help educators identify whether they are English language learners (ELLs). It is a flexible, on-demand assessment that can be administered at any time during the school year. A score of below 4.5 shows a student is eligible to participate in an ELL program.
- Added that Alternate ACCESS for ELLs is an English language proficiency assessment for ELLs in grades 1-12 who have significant cognitive disabilities and that a student can be eligible for exit if he or she scores an A3 Engaging, but multiple measures must be taken into account before exiting.
- Deleted that in the WIDA MODEL Test is a 4.5 composite score for grades 1 to 12 and that students taking the Kindergarten MODEL test prior to January 1, the standard for the oral proficiency level score (listening and speaking sections only) is a 5.0 oral language proficiency

level and at least one other indicator. Also deleted that for students taking the Kindergarten MODEL after January 1, the standard is a 4.5 overall composite proficiency level and multiple indicators as per *N.J.A.C.6A:15-1.10(c)*. and that this score is based on the student taking all parts (listening, speaking, reading, and writing) of the K MODEL.

- Added that on or about April 28, 2021, the State of New Jersey Department of Treasury made an electronic payment to certain school districts and charter schools participating in the Special Education Medicaid Initiative (SEMI) program that had submitted claims which were reimbursed during calendar year 2020. This additional reimbursement is separate from the regular reimbursement payments received for submitted SEMI claims. Options for use: Appropriate for use through a 2020-2021 budget revision, *N.J.A.C. 6A:23A-13.3 (d) 5* provides that a district board of education may, at any time and without Commissioner approval, choose to appropriate unbudgeted or underbudgeted federal revenue; Appropriate for use in 2021-22 budget. Amounts not appropriated for use during 2020-2021 are to be reported in the June 30, 2021 financial statements and schedules as “Assigned Fund Balance FFCRA /SEMI Designated for Subsequent Year’s Expenditures.” Also, at June 30, 2021 that same amount may be presented as a decrease to unassigned general fund balance by inclusion on Line (C5) of the audited excess surplus calculation identified as “Assigned Fund Balance – FFCRA /SEMI Designated for Subsequent Year’s Expenditures” and reported on Audsum Line 90081. Note the amount included on Audsum line 90081 at June 30, 2021 will preload into the first column of the 2022-2023 Recapitulation of Balances on line 8 – Ending Balance 6/30/2021.

Section I-4

Added that school districts/charter schools were notified of their 2020-21 state aid allocations in the February 27, 2020 State aid notice issued by the Commissioner of Education. Updated state aid notices were issued on March 5, 2020. On July 10, 2020, the Department prepared and issued revised 2020-21 state aid notices. In her [Broadcast](#) dated July 22, 2020, the Commissioner granted approval through August 14, 2020 to district boards of education/boards of school estimate that received a revised state aid notice indicating a decrease to state aid to transfer additional unassigned general fund surplus into the 2020-21 budget. Allowable transfers are those authorized by board resolution through August 14, 2020 made to provide the resources necessary to offset the reduction to 2020-21 state aid revenue. The amount of the transfer/increase from surplus cannot exceed the loss of the state aid. Applicable to the June 30, 2021 year-end audit of fund balance for districts with a decrease to their 2020-21 state aid, the district board of education may have utilized this option to appropriate additional general fund surplus by board resolution (no later than August 14, 2020) into the 2020-21 revised budget.

Section I-5

- Updated to reflect that effective July 1, 2020, the maximum bid threshold for boards of education/charter school board of trustees operating without a Qualified Purchasing Agent (QPA) is \$32,000 and for those with a QPA the maximum bid threshold is \$44,000. Also, effective July 1, 2020, the maximum threshold for quotations for a board of education/charter school board of trustees without a QPA is \$4,800; and for a board with a QPA the maximum threshold for quotations is 6,600.

- Added that the re adoption of regulations on Electronic Procurement and Emergency Bid Openings were completed with non-substantial changes and are currently in effect.
- Added that P.L.2021, c.77 approved 5/5/2021 and expiring on July 1, 2022 requires the State to enter into contract and coordinate with certain cooperative purchasing systems for procurement of COVID-19 related goods and services by school districts.

Section I-6

No changes.

Section I-7

No changes.

Section I-8

No changes.

Section II-10

- Revised prescribed bookkeeping to reflect that the deletion of guidance advising that when the district/charter school/renaissance school project uses the reimbursable or pay as you go method for unemployment, the Unemployment Compensation Trust and the resources and changes in net assets of a private purpose scholarship fund would be reported in fund 80.
- Revised the chart of accounts structure to reflect that Fund 90 - Fiduciary Funds is renamed Fund 90- Custodial Funds. Deleted Fund 95, Student Activity Fund.
- Added that Sections 6 of P.L. 2020, c.74 allows school districts with outstanding Community Disaster Loans to issue refunding bonds for the purpose of paying, funding or refunding the repayment .
- Added that GASB No. 84, requires the accounting and reporting of the payroll agency and flexible spending accounts in the general fund and that balance sheet will report assets and liabilities and any unremitted balance at year-end will be reported as a liability.
- Added that the April 16 2021 NJASBO Key Alert Notice notes a delay of the release of quarterly invoices for districts who are under the reimbursement method for unemployment claims and that Division of Unemployment Insurance has been working on calculating the various applications of Federal credits. Additionally, a pending NJ legislative bill relating to how federal funds available for UI charges are to be allocated is delaying the calculations.
- Added that due to the financial impacts of the public health emergency, P.L.2021, c.35, approved March 15, 2021 authorizes school districts other than county vocational school districts to maintain surplus at four percent or \$250,000 for 2020-2021 and 2021-2022 school years.
- Added Reserve for Unemployment Claims as a new allowable restriction of fund balance.
- Updated link to the 2020-21 Extraordinary Aid memo.

Section II-20

- Updated the FICA and Medicare wage limits and percentages for 2020 and 2021.
- Updated to reflect that under GASB No. 84, Student Activity Fund and Scholarship Fund are reported in the special revenue fund and not in the fiduciary fund.
- Updated to reflect the addition of Compass Academy Charter School in Vineland as an approved preschool provider.
- Added additional clarifying Preschool Education Memo.

Section II-30

No changes.

Section II-40

No changes.

Section II-50

No changes.

Section II-60

- Added that for fixed price contracts, the Food Service Management Company (FSMC) may bill the School Food Authority (SFA) for the actual costs of statutorily required costs, additional costs agreed to by the FSMC and SFA and additional allowable costs incurred to implement the COVID-19 meal service requirements.
- Added that due to the public health emergency, the USDA allowed continued participation in the National School Lunch Program Seamless Summer Option (SSO) and Summer Food Service Program (SFSP) throughout the 2020-2021 academic school year. Participation in SSO or SFSP allowed all participating schools to provide meals free of charge to all children under the age of 18, and to claim all meals at the “free” rate of reimbursement.
- Added that when the CNP is not Audited as a major program, but the SFA expended \$100,000 or more in state and/or federal financial assistance auditors are to inquire as to whether the SFA did/did not submit a Non-Competitive Emergency Procurement contract due to the COVID-19 pandemic and if the SFA was billed in accordance with the revised contract.
- Added that when the CNP is not Audited as a major program, but the SFA expended \$100,000 or more in state and/or federal financial assistance, auditors are to inquire and comment if the SFA operated the meal service program in accordance with the National School Nutrition Program SSO or Summer Food Service Program (SFSP) and reported the number of meals claimed for reimbursement in accordance with the applicable program regulations.
- Added that when the CNP is not Audited as a major program, but the SFA expended \$100,000 or more in state and/or federal financial assistance. auditors are to inquire and comment if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. If the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.
- Added that for schools participating in the Seamless Summer Option or Summer Food Service Program, the collection of Applications for Free and Reduced Price School Meals were encouraged but not required for the 2020-2021 school year. Many schools continued to collect

applications due to other State and Federal funding accountabilities, but all participating students are considered eligible for free meals for the duration of the school year.

- Deleted the provision that direct certification eligibility must be extended to any other students living in the household.
- Added that due to the public health emergency, participating schools were permitted to provide meals free of charge to all children under the age of 18, and to claim all meals at the “free” rate of reimbursement. Verification of eligibility applications is not required for FY 2020-21.
- Added that for schools operating the Seamless Summer Option or Summer Food Service Program in the 2020-2021 School Year, all meals will be counted at the free rate of reimbursement. As a result, the following may differ from traditional operation in regard to Meal Count Records: Edit Check Worksheets are not required., Tally sheets or rosters are both acceptable meal count methods. In SSO, schools may also use the count generated from production records., Schools operating an “open” site may provide meals to any child 18 and under, regardless of enrollment or town of residence. Meal counts may therefore exceed enrollment.
- Added that for public schools operating the National School Lunch Program, pursuant to New Jersey Senate Bill 4200 signed into law January 21, 2019, the State of New Jersey covers the cost of reduced price breakfast and lunch meals served to public school students determined as reduced price eligible. Effective July 1, 2020, public schools no longer charged students falling under the reduced price category \$.40 for lunch and \$.30 for breakfast, but continued to maintain the total number of reduced price eligible students, the number of reduced price breakfasts and lunches claimed, and all internal recordkeeping practices related to the reduced price category.
- Added that for the Verification Process, Parts 1 and 2 of the Verification Summary Report were due February 12, 2021 for the 2020-2021 School Year.
- Added that for Cost Reimbursable Contracts, auditors are to verify that the FSMC has maintained and reported separately any additional costs incurred due to the implementation of the COVID-19 meal service requirements including but not limited to food, supplies, transportation costs, etc.
- Added that for fixed price contracts, the FSMC may charge any additional costs incurred due to the implementation of the COVID-19 meal service requirements including food, supplies, transportation, etc. Updated electronic links to 2020-21 guidance memorandums issued to public schools by the New Jersey Department of Agriculture. Updated Reimbursement rates for school lunch program.

Section II-70

No changes.

Section II-80

- Added that GASB Statement No. 84, which establishes criteria for identifying fiduciary activities of all state and local governments, is required for the fiscal year ending June 30, 2021. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Determining whether an activity is fiduciary can be a challenge. Governmental Accounting Standards Board (GASB) recently issued Implementation Guide No. 2019-2, Fiduciary Activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. School districts/charter schools/renaissance school projects with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a

business-type activity that normally expects to hold custodial assets for three months or less. GASB No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

- Deleted that assets that are held in a trustee or agency capacity for external parties and that cannot be used to support the government's own programs are reported as fiduciary funds. Trust funds may be distinguished from agency funds by the existence of a trust agreement, a higher degree of management involvement, and a longer holding period of the fund resources. Agency funds report resources held by the reporting government in a purely custodial capacity. Deleted that There are three classes of trust funds: Pension and other employee benefit trust Investment trust funds Private-purpose trust funds Pension and other employee benefit trust funds account for resources held in trust for the members and beneficiaries of the district's /charter school's/renaissance school project's employee benefit plans. Investment trust funds report the resources of a combined investment effort among school districts/charter schools/renaissance school projects. Private purpose trust funds encompass other trust fund arrangements for which principal and income benefit individuals or agencies outside of the school district/charter school/renaissance school project. Examples of a private purpose trust fund are a scholarship fund or a fund that reports the resources of an awards program, funded by contributions from local businesses to provide small cash awards to qualifying high school seniors.

Section II-90

Updated to reflect move of sections related to Payroll Funds, Unemployment Health Insurance Premium Withholding from Employees, Section 125 Flexible Spending Accounts to the General Fund sections of the audit program and Student Activity Funds and Scholarship Funds to the Special Revenue Fund section of the audit program .

Section II -CA

No Changes.

Section II-LT

No Changes.

Section II-SA

- Updated the reference to the 2021 edition of Office of Management and Budget 2CFR Part 200 Appendix XI Compliance Supplement.
- Updated the Federal Program Numbers for the Catalog of Federal Domestic Assistance and the Federal Award Identification Numbers
- Updated the links to Department of Education Broadcast Notification related to grant awards.

Section III-1

- Updated the due date of the audit reporting package to December 5, 2021.

- Updated reference to the AICPA Audit Guide *Government Auditing Standards and Single Audits* (March 2021), which provides Example 13-7, Schedule of Findings and Questioned Costs, 13.34-46.
- Updated reference to AICPA publication *State and Local Governments – Audit and Accounting Guide*, issued March 2021.
- Clarified that Corrected CAFR/AMR which do not contain a material change(s) must be uploaded to the CAFR Repository. Also clarified that Revised CAFRs/AMRs, which contain a material change(s) require the Cover Page to note Revised and the date, as well as board resolution. CAFR/AMR/Board Resolution must be uploaded to CAFR Repository. Also clarified that Board Resolutions are due within 45 days of the CAFR upload to the CAFR Repository and that Corrected DCF must be submitted to the Federal Audit Clearinghouse and uploaded to the CAFR Repository.
- Removed requirement for submission of a printed copy of the audit reporting package be submitted to the Commissioner and the Executive County Superintendent.

Section III-2

- Updated reference to AICPA publication *State and Local Governments – Audit and Accounting Guide*, issued March 2021.

Section III-3

- Updated other postemployment benefits footnote for the School Employees Health Benefits Program (SEHBP) related to qualified local education active and retired participants, who retire from a board of education.
- Updated sample Community Disaster Loan footnote to reflect whether the district issued refunding bonds pursuant to Section 6 of [P.L. 2020, c.74](#) for the purpose of paying, funding or refunding the repayment of the CDL.
- Updated Charter School and Renaissance School Project Performance Indicators.

Section III-4

- Added that due to the financial impacts of the public health emergency, pursuant to P.L.2021, c.35, approved March 15, 2021, school districts other than county vocational school districts may maintain surplus at four percent or \$250,000 for 2020-2021 and 2021-2022 school years.
- Removed requirement for auditors to verify payroll-related amounts due to the general fund.
- Added that during SY 2020-2021 the public health emergency was still applicable. As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.
- Added that SFAs were authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure feeding of all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.
- For School Food Service Program that has not as a Major Program, but which has expended \$100,000 or more in Federal and/or State Support, added that auditor is required to inquire if

the FSMC received a loan in accordance with the Payroll Protection Plan and if the funds were used to pay for costs applicable to the Food Service Program. Also inquire if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

- For a School Food Service Program that has been audited as a major program, added a required comment that the SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation the COVID-19 meal service under SSO or SFSP program requirements. Also, whether the FSMC did/did not apply for and receive a loan in accordance with the Payroll Protection Plan and did/did not use the funds to pay for costs applicable to the Food Service Programs. Also inquire if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.
- Added sample finding and recommendation as to whether the SFA entered into a Non-Competitive Emergency Procurement contract with the FSMC and did/did not notify the State Agency of the new contract and applicable terms of the contract.
- Updated links to Excel schedules of meal count activity, audited enrollments and ASSA.
- Updated to reflect that due to the financial impacts of the public health emergency, pursuant to P.L.2021, c.35, approved March 15, 2021 school districts other than a county vocational school districts may maintain surplus at four percent or \$250,000 for 2020-2021 and 2021-2022 school years.
- Updated the sample excess surplus calculation for regular and SBB districts to reflect the increased 4% excess surplus rate. Also, updated the sample excess surplus calculation for all operating types to reflect new allowable reserve for the Unemployment Fund.

Section III-5

Added Reserve for Unemployment Claims, Audsum line 90062 as part of Fund Balance classification.

Section III-6

- Updated that the budgeted State per Pupil cost for legal fees to remain at \$57 and updated the actual State per Pupil cost for legal fees from \$60 to \$57.
- Updated question # 47 of Current Operating fund Checklist to add requirement for review of documentation related to Payroll Protection Loans in the analysis of outstanding debt.
- Updated Check List for Food Service Fund to reflect that review of eligibility documents for free and reduced-price meals and edit check worksheets are not required for 2020-21.

Section III-7

Updated the templates for the Audit Recommendations Summary, Corrective Action Plan, and Certification of Implementation of Corrective Action Plan

Overview

Financial Accounting for New Jersey School Districts/Charter Schools/Renaissance School Projects (*The Audit Program*) is updated annually and includes instructions for both district/charter school/renaissance school project personnel and public school accountants regarding preparing for and performing the annual audit. The full text of *The Audit Program* is available on the [Office of School Finance web site http://www.nj.gov/education/finance/fp/audit/](http://www.nj.gov/education/finance/fp/audit/).

The *Comprehensive Annual Financial Report* (CAFR) is the basis for the annual audit. New Jersey state law and administrative code (*N.J.S.A.* 18A:4-14 and *N.J.A.C.* 6A:23A-16) require school districts/charter schools/renaissance school projects to follow generally accepted accounting principles (GAAP). These principles are augmented with the release of statements from the Governmental Accounting Standards Board (GASB). The Outline for Comprehensive Annual Financial Report (CAFR) section at the end of this introduction provides additional information on the CAFR.

Renaissance School Projects- as amended by P.L. 2014, c.61, *N.J.S.A.* 18A:36C-7h provides that a nonprofit entity shall operate a renaissance school project “in accordance with the contract entered into pursuant to section 6 of this act, the provisions of this act, and the laws and regulations that govern charter schools which are not inconsistent with this act.” Accordingly, in this Audit Program, unless specifically noted, “charter schools” shall also refer to “renaissance school project”.

Guidance unique or specific to districts that are required to use school-based budgeting (SBB) is included in the applicable sections of this Audit Program as follows:

Description	Section-Chapter	Rationale
Refer to website for guidance on CAFR schedules specific to districts required to use school-based budgeting	Intro-xxiv	Districts required to use school-based budgeting must prepare schedules reporting activity and balances in fund 15, the subfund used for school level accounting and reporting.
Excess surplus calculation modification for expenditures allocated to restricted federal resources and capital leases with blended funds	II-10	Fund 15 expenditures blended with federal must be allocated to state and local.
TPAF and FICA Reimbursement Calculation for SBB districts	II-20	The blending of federal, state and local funds in the school-based budgets recorded in Fund 15 necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources.

Description	Section-Chapter	Rationale
Schoolwide Programs description and compliance	II-SA	Expanded explanation of schoolwide programs as related to Title I and how these are treated for preparation of the Schedule of Federal Expenditures
Blended resources and computing Type A and Type B programs	II-SA	Expenditures incurred in schoolwide programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B programs for Single Audit testing.

Reference Materials

Reference materials published by outside organizations are available to provide guidance in report preparation. The Government Finance Officers Association (GFOA) publishes *Governmental Accounting, Auditing and Financial Reporting*, commonly known as the "blue book" that is used nationwide as a reference tool for CAFR preparation. The American Institute of Certified Public Accountants (AICPA) issues *Checklist and Illustrative Financial Statements for State and Local Governmental Units* that is a recommended reference for disclosure requirements. The Association of School Business Officials International offers a Certificate of Excellence in Financial Reporting by School Systems Program that awards certificates to those annual reports that fully meet the requirements established by GAAP and publishes a self-evaluation worksheet that may also be used as a tool in report preparation.

Responsibility/Government Auditing Standards

N.J.A.C. 6A:23A-16.2(i) requires the issuance of a CAFR by every school district/charter school/renaissance school project, along with interim financial statements to facilitate management control of financial operations. *N.J.S.A. 18A:6-100 g.* requires the board of an Educational Information and Resource Center to have performed an annual audit of the center's accounts and financial transactions in the manner provided by *N.J.S.A. 18A:23-1 et. seq.* Financial statements are the responsibility of the board of education's/board of trustee's/board of directors management and are its representation of the financial position at a given point in time and the operations of the district/charter school/renaissance school project during a period of time.

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (may be referred to as the *Uniform Administrative Requirements* throughout this Audit Program) is available on the U.S. Government Publishing Office "[Electronic Code of Federal Regulations](https://www.ecfr.gov/)" website at:
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl.

Federal Requirements:

The federal Single Audit Act requires organizations that expend \$750,000 or more in federal financial assistance have an audit (single audit or program specific audit) conducted in accordance with 2 CFR Part 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Administrative Requirements)* Subpart F – Audit Requirements (200.501).

State Requirements:

NJ Circular Letter 15-08-OMB specifies the State single audit threshold for the expenditure of State of New Jersey financial assistance is \$750,000. Section III (Policy) of NJ Circular Letter 15-08-OMB provides that New Jersey school districts/charter schools/renaissance school projects/educational resource and information centers that expend \$750,000 or more in State or federal financial assistance in the fiscal year under audit must have a single audit, or program specific audit, performed in accordance with the Act, Amendments, 2 CFR 200 – Subpart F – Audit Requirements, and State policy. [New Jersey Circular Letter 15-08-OMB](https://state.nj.us/infobank/circular/cir1508_omb.pdf) (state.nj.us/infobank/circular/cir1508_omb.pdf) is available on the Treasury website.

NJ Circular Letter 15-08-OMB specifies that recipients of federal grant, State grant or State aid funds that expend less than \$750,000 in federal **or** State financial assistance but expend \$100,000 or more in State **and/or** federal financial assistance within the fiscal year, must have either a financial statement audit performed in accordance with (new) *Government Auditing Standards March 2021 Revision*, (Yellow Book), or a program specific audit performed in accordance with 2 CFR 200 the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Subpart F – Audit Requirements, and State policy.

[Governmental Accounting Guide 2018 Revision](https://www.gao.gov/products/GAO-18-568G) (GAGAS) is available through the website: <https://www.gao.gov/products/GAO-18-568G>

Submission/Reporting Package

The Department of Education requires the submission of the reports described below on or before the statutory deadline. The *statutory* submission date is the fifth day after five months (*N.J.S.A. 18A:23-1*) after the end of the school fiscal year. Accordingly, the deadline for submission of June 30, 2020 audits is (new) December 5, 2021. The Commissioner has statutory authority (*N.J.S.A. 18A:23-6*) to appoint auditors for districts/charter schools/renaissance school projects failing to meet the statutory due date or invoke other administrative actions but the Commissioner does not have discretion to change a statutory requirement, such as the due date. *N.J.S.A. 18A:7A-55* includes late submission of the annual audit as one of the conditions for appointment of a state monitor.

The CAFR

The CAFR is the school district, charter school, or renaissance school project official annual report. It should include all funds of the district/charter school/renaissance school project. It is

organized into three primary sections: 1) an introductory section, 2) a financial section, and 3) statistical section. If a school district, or charter school, or renaissance school project, falls under the reporting requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and/or the reporting requirements under NJOMB Treasury Circular Letter or 15-08, the CAFR will also contain a single audit section. The CAFR will strictly adhere to the Outline of the CAFR located at the end of this introduction. The report must include all sections, letters and exhibits in the applicable sample CAFR as they apply to each school district, charter school, or renaissance school project as well as any additional statements, schedules, and disclosures required under the circumstances of the school district, charter school, or renaissance school project. The report must also include all applicable single audit opinion letters prepared by the local school district, charter school, or renaissance school project auditor in the single audit section. Links to sample single audit letters and New Jersey specific reference are provided in Section III – Chapter 2 of *The Audit Program*.

The Auditor’s Management Report on Administrative Findings, Financial, Compliance and Performance (AMR)

This separate report will serve as the auditor’s report to management. This report must be submitted together with the CAFR to the Department of Education in order to comply with *N.J.S.A.* 18A:23-9 and Finance Policy Bulletin 200-1. A sample Auditor’s Management Report is located in Section III – Chapter 4.

Audit Summary (Audsum)

The Audit Summary (Audsum) is an electronic submission of audited data. Audsum is completed through a web application available (anticipated availability September 2021) to auditors through the [DOE Audsum](http://DOE.Audsum) webpage: nj.gov/education/finance/audsum/ and to schools through homeroom.state.nj.us/. First-time-user auditors must create a user name and password in order to complete their registration with the Audsum web application. For control purposes, the department recommends that each auditor/user within the audit firm obtain a unique user name and password. If you need to be sent a reminder of your user name and/or password, or change your user name and/or password, please send a request to the Audsum email at: audsum@doe.nj.gov. User names and passwords will remain active until the auditor requests removal through an email request to audsum@doe.nj.gov. School auditors must **annually** request a PIN for each of their school audit clients by emailing a PIN request to: audsum@doe.nj.gov. The auditor/user must then link the DOE assigned district PIN for the audit year to their user name and password in order to access Audsum screens for a school client. The auditor is responsible for the entry of data into electronic Audsum and the board secretary/business administrator is responsible for carefully reviewing the reports generated by Audsum. The school auditor and the board secretary/business administrator are required to indicate their respective approval of the Audsum data through the electronic signature process available on the web application using the Data Finalize and Certify screen. The school’s board secretary/business administrator is responsible for the transmission of the Audsum data via the web application to

the Department of Education no later than the CAFR due date (December 5, 2021). This information is used by the Department of Education for a variety of purposes, including downloading into the actual column of the school budget software maintained by the department. **It is very important that auditors and district personnel pay particular attention to the accuracy of the data to avoid having to resubmit the data. If data is resubmitted due to an error in the CAFR, revised pages of the CAFR must be sent.**

Transmission of the reporting package to the OFAC CAFR Repository is mandatory for year end June 30, 2021. The OFAC CAFR Repository may be accessed through [NJDOE Homeroom](http://NJDOE.Homeroom) at homeroom.state.nj.us/. The procedure for submission of the CAFR and the AMR was adopted by the Department of Education to conform to the common practice for CAFR presentation followed by other school districts throughout the country. The two reports have separate, distinct purposes. The CAFR is the financial report presented to the board for conformance with GAAP. The AMR is the auditor's report to the board of education/board of Trustees/Board of Directors of his/her findings and recommendations as a result of the audit. In accordance with the *Uniform Administrative Requirements* the CAFR will also be submitted to the Federal Audit Clearinghouse as part of the reporting package along with the Data Collection form (SF-SAC) whenever a federal single audit of the school district, charter school, or renaissance school project is required. In conformity with the federal due date, the Federal Data Collection Form (SF-SAC) may be submitted to the New Jersey Department of Education within 30 days after the audit report is filed with the district board of education, charter school/renaissance school project board of trustees. Accordingly, associated audit items and the upload of audit files transmitted to the OFAC CAFR Repository may be submitted on time without including the archived copy of the SF-SAC. **When available, and in accordance with the federal due date, the archived copy of the SF-SAC must be uploaded to the OFAC CAFR Repository.**

The OMB requires all PDF uploads of the reporting package submitted to the Federal Audit Clearinghouse to be **text-searchable, unlocked and unencrypted**. Information about the federal submission requirements can be found at facweb.census.gov/. Consistent with the submission requirements established by the Federal Audit Clearinghouse (FAC), New Jersey also requires **all** audit file submissions to the CAFR repository be **unlocked, unencrypted, text-searchable** PDF files with standard audit finding reference numbers in sequential format (e.g. 2021-001 through 2021-999).

The *Uniform Administrative Requirements* and NJOMB Circular Letter 15-08-OMB require that the Schedule of Findings and Questioned Costs contain, but not be limited to, significant deficiencies in internal control over major programs, material non-compliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program, and known questioned costs which meet the threshold as defined in *Uniform Administrative Requirements* (Subpart F 200.516). *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." Accordingly, the Auditor's Management Report (AMR) must include **all** findings, including any items contained in the Schedule of Findings and Questioned Costs and the Legal or Regulatory Requirements section of the Auditor's Report.

Outline for Comprehensive Annual Financial Report (CAFR)

New Jersey statute (*N.J.S.A.18A:4-14*) requires a school district, charter school, or renaissance school project maintain bookkeeping consistent with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The financial reporting requirements of GAAP include the issuance of a CAFR.

The financial statements are the responsibility of the school's management (board of education, board of trustees, board of directors). AU-C Section 220 of the *Clarified Statements on Auditing Standards* issued by the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) addresses auditor independence as part of quality control for an engagement conducted in accordance with generally accepted auditing standards. General Accounting Office (GAO) [Governmental Auditing Standards 2018 Revision \(Yellow Book\)\(GAGAS\)](https://www.gao.gov/products/GAO-18-568G) is available through the website: <https://www.gao.gov/products/GAO-18-568G>. Paragraphs 3.02 through 3.59 contain the independence standards that comprise the [Generally Accepted Governmental Auditing Standards \(GAGAS\)](https://www.gao.gov/products/GAO-18-568G). Paragraph 3.40 addresses non-audit activities such as financial statement preparation, modified accrual to accrual conversions, and other non-audit services provided to an audit client. Those non-audit activities must be evaluated using the conceptual framework provided in paragraph 3.46. (<http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-C-00220.pdf>)

Financial statement preparers of school district, charter school, or renaissance school project financial reports should reference the NJ Department of Education [CAFR website](http://www.nj.gov/education/finance/fp/cafr/) (click on CAFR) (<http://www.nj.gov/education/finance/fp/cafr/>) for selected sample statements and schedules, including the basic financial statements and budgetary comparisons which are in excel files that can be downloaded by school staff. Please be aware that those illustrations may not be in conformity with recent pronouncements and statements issued by GASB. Information on Management Discussion and Analysis (MD&A) requirements and guidance on financial reporting for school districts required to use school-based budgeting are also available at that web site to assist auditors and district staff. **The illustrative statements and schedules are not intended to be boilerplate nor inclusive of every situation.**

The NJDOE requires that each governmental fund be treated as a major fund in the fund statements for GASBS 34 presentation. Questions relating to the preparation of NJ school CAFRs may be emailed to doe.cafr@doe.nj.gov.

The format of the CAFR should adhere to the Outline and numbering of the exhibits as shown on the following pages. If a section or exhibit is not applicable to the school district, charter school, renaissance school project the notation "N/A" should be indicated against that item in the Table of Contents.

Auditor's Note – Auditors should refer to the CAFR website <http://www.nj.gov/education/finance/fp/cafr/> for guidance on schedules that specifically relate to districts that are required to use school-based budgeting.

The CAFR includes the Introduction, Financial, Statistical, and Single Audit Sections. The contents of each section are as follows:

Introductory Section

Although not required by GAAP, this section is used by the GFOA “Blue Book” and is intended to familiarize the reader with the organizational structure of the school district/charter school/ renaissance school project and information useful to the reader to evaluate the district’s/charter school’s financial condition. It is important that the letter of transmittal avoid duplicating information already provided in detail elsewhere in the CAFR.

Financial Section

This section includes the: 1) independent auditor’s report, 2) Management's Discussion and Analysis (MD&A), 3) basic financial statements including the school district, charter school, or renaissance school project -wide statements (accrual basis for governmental and business-type activities), fund statements (modified accrual basis for governmental funds, accrual basis for proprietary funds and for fiduciary funds), and notes to financial statements, 4) Required Supplementary Information (RSI) other than MD&A including budgetary comparison schedules, and 5) Other Supplementary Information including combining and individual fund statements, and additional schedules. Certain combining schedules may not be applicable. For example, if a school district has only two programs in the Proprietary Fund, a combining schedule would not be necessary. The School Level Schedules (D series in the Outline) should only be included for school districts that are required to use school-based budgeting. Indicate by “N/A” when a schedule is not applicable.

Statistical Section

This section is intended to provide CAFR users with a broader and complete understanding of the school district, charter school, or renaissance school project and its financial matters than is possible from the financial statements and supporting schedules included in the financial section. Sample schedules under GASB Statement No. 44 (GASBS 44) and guidance for preparing the schedules can be found on the NJDOE [CAFR website](http://www.state.nj.us/education/finance/fp/cafr/) at <http://www.state.nj.us/education/finance/fp/cafr/> (click on CAFR). The Outline of the CAFR reflects these revisions. Statistical information to assist school auditors in preparing this section is posted on that the department’s web site (click on Audit Information, and then 2020-21 Audit Program).

The Performance Framework sets the academic, organizational and fiscal standards by which all New Jersey charter schools will be evaluated, informing the Department of Education and individual school officials about school performance and sustainability. Charter schools are required to calculate and report financial performance indicators in the statistical data section of the CAFR (refer to page III-3.18 of this Audit Program).

The Financial Performance Framework section was designed as a starting point for the NJDOE to assess the financial health and viability of charter schools in New Jersey. The Framework, containing both near term and sustainability indicators, is a monitoring tool that provides the NJDOE with key data that summarizes a charter school’s current financial health, while taking into account the school’s financial trends over a period of three years. Near term indicators provide an understanding of a school’s financial picture in the upcoming school year, while sustainability indicators depict a school’s financial viability over time. In total, eight different measures provide a snapshot of a school’s near term financial health, historic trends, and future viability; this allows the NJDOE to proactively address areas of concern. The [Performance Framework](http://nj.gov/education/chartsch/accountability/framework.shtml) (nj.gov/education/chartsch/accountability/framework.shtml) can be accessed at the NJDOE web site.

Single Audit Section

This section includes independent auditor's reports on compliance and internal control, schedules of expenditures for federal and state grants, notes to the schedules of expenditures of federal and state grants, schedule of findings and questioned costs, and a summary schedule of prior audit findings. This information is required by the *Uniform Administrative Requirements* and New Jersey OMB Circular Letter 15-08-OMB.

Outline of CAFR

Introductory Section

- Letter of Transmittal
- Organizational Chart
- Roster of Officials
- Consultants and Advisors

Financial Section

Independent Auditor's Report

Required Supplementary Information – Part I Management's Discussion and Analysis

Basic Financial Statements

- A. District/Charter School/Renaissance School Project-Wide Financial Statements:
- A-1 Statement of Net Position
 - A-2 Statement of Activities
- B. Fund Financial Statements:
- Governmental Funds:
- B-1 Balance Sheet
 - B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances
 - B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Proprietary Funds:
- B-4 Statement of Net Position
 - B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position
 - B-6 Statement of Cash Flows
- Fiduciary Funds: **(if applicable)**
- B-7 Statement of Fiduciary Net Position
 - B-8 Statement of Changes in Fiduciary Net Position

Notes to the Financial Statements

Required Supplementary Information – Part II

- C. Budgetary Comparison Schedules:
- C-1 Budgetary Comparison Schedule – General Fund
 - C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual **(if applicable)**
 - C-1b Community Development Block Grant– Budget and Actual **(if applicable)**

- C-2 Budgetary Comparison Schedule – Special Revenue Fund

Notes to the Required Supplementary Information- Part II

- C-3 Budget-to-GAAP Reconciliation

Required Supplementary Information – Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

- L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability –PERS
- L-2 Schedule of District Contributions – PERS
- L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF

M. Schedules Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions

- M-1 Schedule of Changes in the Total OPEB Liability and Related Ratios

Other Supplementary Information

D. School Based Budget Schedules (if applicable):

- D-1 Combining Balance Sheet
- D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual
- D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual

E. Special Revenue Fund:

- E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis **(new) includes Student Activity and Scholarship Funds**
- E-2 Preschool Education Aid – Budgetary Basis

F. Capital Projects Fund:

- F-1 Summary Schedule of Project Expenditures
- F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis
- F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis

G. Proprietary Funds:

Enterprise Fund:

- G-1 Combining Schedule of Net Position

- G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
- G-3 Combining Schedule of Cash Flows

Internal Service Fund:

- G-4 Combining Schedule of Net Position
- G-5 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
- G-6 Combining Schedule of Cash Flows

H. Fiduciary Funds: **(if applicable)**

- H-1 Combining Statement of Fiduciary Net Position
- H-2 Combining Statement of Changes in Fiduciary Net Position

I. Long-Term Debt:

- I-1 Schedule of Serial Bonds - N/A to Charter/Renaissance Schools
- I-2 Schedule of Obligations under Capital Leases
- I-3 Debt Service Fund Budgetary Comparison Schedule

Statistical Section (Unaudited)

Introduction to the Statistical Section

Financial Trends

- J-1 Net Assets by Component
- J-2 Changes in Net Assets/Net Position
- J-3 Fund Balances – Governmental Funds
- J-4 Changes in Fund Balances – Governmental Funds
- J-5 General Fund Other Local Revenue by Source

Revenue Capacity–N/A to Charter/Renaissance Schools

- J-6 Assessed Value and Estimated Actual Value of Taxable Property
- J-7 Direct and Overlapping Property Tax Rates
- J-8 Principal Property Taxpayers*
- J-9 Property Tax Levies and Collections

Debt Capacity

- J-10 Ratios of Outstanding Debt by Type
- J-11 Ratios of General Bonded Debt Outstanding- **N/A to Charter/Renaissance Schools**
- J-12 Direct and Overlapping Governmental Activities Debt- **N/A to Charter/Renaissance**
- J-13 Legal Debt Margin Information- **N/A to Charter/Renaissance Schools**

Demographic and Economic Information

- J-14 Demographic and Economic Statistics
- J-15 Principal Employers

Operating Information

- J-16 Full-time Equivalent District/Charter School/Renaissance school Employees by Function/Program
- J-17 Operating Statistics
- J-18 School Building Information
- J-19 Schedule of Required Maintenance Expenditures by School Facility
- J-20 Insurance Schedule
- J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios; Renaissance School Project Framework, Financial Performance, Fiscal Ratios

*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

Single Audit Section

- K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04
- K-3 Schedule of Expenditures of Federal Awards, Schedule A
- K-4 Schedule of Expenditures of State Financial Assistance, Schedule B
- K-5 Notes to the Schedules of Awards and Financial Assistance
- K-6 Schedule of Findings and Questioned Costs
 - Section I - Summary of Auditor's Results
 - Section II - Financial Statement Findings
 - Section III- Federal Awards and State Financial Assistance Findings and Questioned Costs
- K-7 Summary Schedule of Prior Audit Findings