

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

The Audit Program

2021-22

**State Of New Jersey
Department of Education
Division of Finance and Business Services
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[Uniform Grant Guidance](http://nj.gov/education/grants/ugg/) (nj.gov/education/grants/ugg/)

[State Circular Letter No. 15-08-OMB](http://www.state.nj.us/ifobank/circular/cir1508_omb.pdf) (http://www.state.nj.us/ifobank/circular/cir1508_omb.pdf)

Refer to Circular at the NJOMB web site:

[Circular Index: http://www.state.nj.us/infobank/circular/circindx.htm](http://www.state.nj.us/infobank/circular/circindx.htm)

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Introduction

Significant Changes for 2021-22

Updated the terminology throughout to reflect the use of the term Annual Comprehensive Financial Report and its acronym ACFR pursuant to GASB No. 98.

Other Changes / Updates for 2021-22

The following is a summary of changes / updates:
(changes for 2021-22 are highlighted in gray)

General changes are found throughout the document.

Specific changes are found in the following sections/chapters:

Introduction

Updated ACFR outline for addition of new required B-5a detailing food service activity.

Section I-1

- Updated to reflect that in April 2021, the Government Accountability Office (GAO) made limited technical updates to the 2018 Yellow Book.
- Added reference to AU-C Section 705 Modifications to the Opinion in the Independent Auditor's Report effective for audits of financial statements for periods ending on or after December 15, 2021. Section .01 addresses the auditor's responsibility to issue an appropriate report in circumstances in which, in forming an opinion, the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary.
- Added that as advised in a Department of Education email from Executive County Business Officials to all Certified School Business Administrators on December 15, 2021, utilization of prior year actuarial data does not comply with the requirements of GASB No. 75. Per discussion with Scott Reeser, Senior Project Manager at the Governmental Accounting Standards Board (GASB), on December 14, 2021, GASB Statement No. 75, paragraph 203 requires that the liability recognized for the LEAs' proportionate share of the collective total OPEB liability, is to be measured as of a date no earlier than the end of the LEAs' prior fiscal year and no later than the end of the LEAs' current fiscal year. Accordingly, any 2021-22 Annual Comprehensive Financial Reports' (ACFRs) presentation of data measured prior to June 30, 2021 is a departure from Generally Accepted Accounting Principles (GAAP) and requires a modified opinion.
- Updated to reflect that the Notice of Rule Modification which suspended the verification of payroll check distribution expired.

Section I-2

Updated to reflect that the emergency regulations regarding the conduction of remote public meetings remain in effect pursuant to paragraph 6 of Executive Order 292.

Section I-3

- Deleted section related to the March 16, 2020 Executive Order No. 103 requiring the closing of all public, private and parochial schools.

- Added that on July 29, 2022, the Department of Education posted a notice in the School Aid folder of the NJ Homeroom titled MOEQ State Aid Notice. The payment was made in order to comply with the maintenance of equity (MOEQ) provision of the Federal American Rescue Plan Act of 2021. It was determined that certain school districts are eligible for remedy in order to meet this MOEQ provision. Auditors may refer to the notice in the district’s School Aid Notices folder on the New Jersey Homeroom additional information. Also added that the 2021-22 maintenance of equity aid is state support/revenue is to be recognized on the budgetary, modified accrual, and accrual basis of accounting for 2021-22 on revenue line 491, as “maintenance of equity state aid,” in account number 10-3192. For purposes of the Schedule of Expenditures of State Assistance, the amount received shall be reported using NJCFS Account No. 22-495-034-5120-128. Pursuant to the provisions of *N.J.A.C. 6A:23A-13.3(d)(1)*, approval for the district board of education to appropriate this unbudgeted general fund State Aid is herein granted. Also added that the 2021-22 excess surplus calculation at June 30, 2022 will allow for exclusion of this aid. Pursuant to the provisions of *N.J.A.C. 6A:23A-13.3(d)(6)*, districts may appropriate surplus in 2022-23 for use of this aid. This will be a one-year adjustment to the excess surplus calculation. The calculation of additional excess surplus in the 2023-24 budget software and the audited excess surplus calculation at June 30, 2023 will not allow for further adjustment for this aid.
- Added that for ASSA purposes State Military Impact Aid students are on-roll resident students whose parents are on active duty in the uniformed services. In addition to being reported in the ASSA in all applicable categories, such as Special Education, Low Income, ELL, etc., these federally connected students are also reported in a separate screen for determination of State Military Impact Aid pursuant to P.L. 2021, c.283.
- Added that for October 15, 2021, Free/Reduced lunch counts on the ASSA can include eligible students registered in the district as of October 15, 2021 that submitted Free/Reduced Lunch Applications or Household Information Surveys in 2019-20 or 2020-21 and have not submitted applications or surveys in 2021-22.
- Added that a student's 2019-20 application or household information survey can only be used if they did not submit an application in 2020-21 and 2021-22.
- Updated the Renaissance Aid calculation template.
- Deleted that for purposes of the ASSA and State Aid, only on-roll students that are eligible for free or reduced price meals or free milk as of the thirtieth operating day of the school year beginning may be classified as low-income students. For purposes of determining the thirtieth day, the “first day” of the school year is defined, as “the first day that school is open to students during which any meal service is provided.” Low Income eligibility for the first thirty days only, may be evidenced by a carryover of last year’s “2019-20 Application for Free and Reduced Price Meals and Free Milk” or a current year “2020-21 Free and Reduced Price Meals Application”. After the “first thirty day” only a current year 2021-21 Free and Reduced Meals Application is acceptable evidence of low income status.
- Deleted from ELL section that due to the public health emergency, school districts/charter schools/renaissance school projects were not required to submit an updated 3-Year Plan for SY2021; their existing plan is still in place.
- Updated to reflect new titles of certain Transportation Aid Applications/Voucher Forms .
- Updated to reflect new transportation contract bidding threshold from \$19,600 to \$20,200.

Section I-4

Added that for 2020-21 and 2021-22, P.L. 2021, c35 superseded the Commissioner approval requirement pursuant to *N.J.S.A.* 18A:22-8.1, that all transfers from any general fund appropriation account that, on a cumulative basis, exceed 10 percent of the amount included in the original budget certified for taxes require Commissioner approval. Any transfer to or from capital outlay (line 76260) still required executive county superintendent approval pursuant to *N.J.A.C.* 6A:23A-13.3(f)2 and *N.J.A.C.* 6A:23A-13.3(h). Also, added that pursuant to *N.J.A.C.* 6A:23A-13.3(g), any transfer to general administration, school administration, central services, and administrative information technology (lines 45300, 46160, 47200 and 47620, that on a cumulative basis exceed 10 percent of the original budget amount must have met requirements defined in that code section and must still be approved by the executive county superintendent.

Section I-5

- Added that per LFN 2021-18, the Division of Local Government Services adopted final regulations authorizing use of electronic procurement platforms by boards of education. The final adoption of N.J.A.C. 5:30-8.5 and subsection (c) of N.J.A.C. 5:34-4.3 addresses circumstances when a state of emergency declared by the Governor for public health reasons requires a bid or proposal opening to occur without members of the public present, on which the Division will be issuing a separate Notice.
- Added that the Department of Community Affairs has adopted regulations allowing school districts to utilize the design-build method of project delivery for construction projects equal to or exceeding \$5,000,000. Codified at N.J.A.C. 5:34-10 and effective as of May 27, 2022, The rules provide for the following two-phase selection process: 1. The public advertisement of a request for qualifications (RFQ) that describes the design build project, outlines the scope of work for the project and solicits responses delineating the qualifications of bidders; and 2. The issuance of a request for proposal (RFP) to prequalified bidders, selected on the basis of their responses to the RFQ, which outlines the criteria to be used for selection and the weight that will be given to each of these criteria in the evaluation process, and which solicits a proposal consisting of a technical proposal and a price proposal. These rules do not apply to school facilities projects in an SDA school district.
- Added that pursuant to P.L. 2021, c.301, the New Jersey Department of Labor and Workforce Development (NJLW) has updated the Prevailing Wage Act (the Act). Effective May 7, 2022, contractors submitting the lowest bid for a contract that is subject to the Prevailing Wage Act are required to certify to the public body that the prevailing wage rates required by the Act shall be paid, if that bid is 10 percent or more lower than the next lowest bid. Further, P.L. 2021, c. 301 also amended N.J.S.A. 34:11-56.27 to require that any contract for public work expressly stipulate that workers performing work under the contract shall not be paid less than the required prevailing wage rate. Refer to LFN 2021-20.
- Updated to reflect new FY22 transportation contract bidding thresholds from \$19,600 to \$20,200,

Section I-6

No changes.

Section I-7

No changes.

Section I-8

No changes.

Section II-10

- Added that on September 30, 2021, Section 1601 of H.R. 5305, Public Law No: 117-43, cancelled all outstanding CDL balances as of September 1, 2021.
- Updated link to the 2021-22 Extraordinary Aid memo
- Updated to reflect that GASB No. 87 is required to be implemented for fiscal year ending June 30, 2022. A lessee should recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term . A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. In the notes to financial statements, lessors should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases. Lessees should disclose lease details, including a general description of its leasing arrangements, and the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability; the total amount of lease assets.
- Added that Pursuant to N.J.S.A.18A:16-13.3 section b, school districts/charter schools/ renaissance school projects are required to report information to the Department of Education regarding the health care plans offered. This data, which is submitted via a web-based application no later than 60 days following each enrollment period or the release date of the software, whichever is later, is used to calculate savings realized on health benefit plans for purposes of the district tax levy adjustment required by N.J.S.A. 18A:16-13.3 section a.
- Deleted that the April 16 2021 NJASBO Key Alert Notice notes a delayed the release of quarterly invoices for districts who are under the reimbursement method for unemployment claims. The 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.
- Updated the link to the Department of Labor and Workforce Development's special reimbursable accounts rates .
- Updated to reflect that auditors of charter schools and renaissance school projects are not required to document the calculation of the excess surplus calculation.

Section II-20

- Updated the FICA and Medicare wage limits and percentages for 2021 and 2022.
- Updated the link to the estimated 2021-22 estimated TPAF forms.

- Added that P.L.2021, c.109 which went into effect in June 2021 requires boards of education to offer up to one year of additional or compensatory special education and related services (ACSERS) , including transition services, to students with disabilities if a determination is made by the student’s Individualized Education Program (IEP) team that the student requires such additional or compensatory special education and related services. This law impacts students with disabilities who exceed, or will exceed the current age of eligibility for special education and related services (21 years old) in the 2020-2021, 2021-2022 and 2022-2023 school years. The DOE will reimburse 100% of all approved costs incurred. These costs are reimbursed through federal COVID ARP State and Local Fiscal Recovery Fund DOE Special Education Services CFDA # 21.027 FAIN # SLFRFDOE1SES. Also added that districts were notified through a notice dated April 20, 2022 posted in school aid application in Homeroom of the amount of ACSERS Aid. They received an initial reimbursement payment in April 2022 for 50% of the estimated approved costs. Once final approved costs were determined any remaining balance due to the district was disbursed in July 2022. Included that ACSERS Aid revenue is a reimbursement of costs incurred during the fiscal year under audit and revenue is recorded in special revenue fund account 20-4537, new line number 827. Expenses will be recorded in new program code 20-486-xxx-xxx, in new line number 88712. Refer to ACSERS broadcast dated December 21, 2021. Updated to reflect that eleven former ECPA districts were approved to expand their preschools programs for a total of 145 districts that received preschool aid for 2021-22.

Section II-30

Added that effective for reporting periods beginning after December15, 2020, GASB Statement No. 89, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

Section II-40

No changes.

Section II-50

No changes.

Section II-60

- Updated to remind auditors that for the Child Nutrition Program, the Department of Agriculture’s B-5 Template, is required. This schedule separates program and non-program revenue and program and non-program cost of goods sold. All programs are to be separately presented. B-5 template included in the audit program.
- Updated electronic links to 2021-22 guidance memorandums issued to public schools by the New Jersey Department of Agriculture.
- Added that effective for reporting periods beginning after December15, 2020, GASB Statement No. 89, requires that interest cost incurred before the end of a construction period be recognized. as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a

construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

- Updated to reflect that due to the continuation of the federal public health emergency through June 30, 2022, participating schools were permitted to provide meals free of charge to all enrolled students.
- Deleted that verification of eligibility applications is not required.
- Deleted that schools operating an “open site” may provide meals to any child 18 and under, regardless of enrollment or town of residence. Also deleted that meal counts may exceed enrollment.
- Deleted that schools participating in Provision I, Provision II, or Community Eligibility Provision (CEP) are not required to collect Applications for Free and Reduced Price School Meals. For Provision I and Provision II guidance please refer to eligibility requirements provided in the July 1, 2020 memo “Annual Application Process for Provisions I and II” issued by the NJ Department of Agriculture.
- Added that most schools participating in CEP for the 2021-2022 School Year also participated in the Seamless Summer Option and that schools participating in SSO were not required to complete edit check worksheets, and were reimbursed at the “free” rate of reimbursement for all students.
- Updated Reimbursement rates for school lunch program.

Section II-70

No changes.

Section II-80

No changes.

Section II-90

No changes.

Section II -CA

- Added that effective for reporting periods beginning after December 15, 2020, GASB Statement No. 89, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.
- Updated capital lease section to reflect that effective for fiscal year 2021-22, GASBS No. 87 requires lessees to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term.

Section II-LT

No Changes.

Section II-SA

- Updated the reference to the 2022 edition of Office of Management and Budget 2CFR Part 200 Appendix XI Compliance Supplement.

- Updated to reflect that the term Assistance Listing (AL) replaces the term Catalog of Federal Domestic Assistance (CFDA)..
- Updated the Assistance Listing 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, 2022.
- Updated reference to the AICPA Audit Guide *Government Auditing Standards and Single Audits* (March 2022), 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 2022.
- Updated to stress that use of the Corrective Action Plan (CAP) and Certification of Implementation templates is required .

Section III-2

- Updated reference to AICPA publication *State and Local Governments – Audit and Accounting Guide*, issued March 2022.
- Added that the AICPA Auditing Standards Board (ASB) recently issued SAS 134, Auditors Reporting and Amendments, Including Amendments Addressing Disclosures of Financial Statements, and SAS 135, Omnibus Statement on Auditing Standards—2019. Also, added that the ASB’s changes significantly impact the auditor reports, including 1) moving the opinion to the first part of the report; 2) adding more titles; 3) disclosing management’s and the auditor’s responsibility for going concern issues; 4) introducing key audit matters (KAM); and 5) expanding the disclosure of auditor responsibilities. The major changes are detailed in the following AU-C sections: AU-C 700—Forming an Opinion and Reporting on Financial Statements; AU-C 701—Communicating Key Audit Matters in the Independent Auditor’s Report; AU-C 705—Modifications to the Opinion in the Independent Auditor’s Report and AU-C 706—Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report.

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 that school districts’ outstanding CDL balances as of September 1, 2021 were cancelled pursuant to Section 1601 of H.R. 5305, Public Law No: 117-43.
- Updated to reflect that GASB No. 87 requires detailed lease disclosures for lessees and lessors, and included sample note directing auditors to refer to the pronouncement for specific disclosure requirements.
- Updated sample note directing auditors to refer to GASB Statement No. 88 for specific disclosure requirements related to debt, if applicable.

- Updated link to Charter School and Renaissance School Project Performance Indicators.

Section III-4

- Added sample audit comments related to P.L.2020,c.44. Auditors are required to inquire and make a subsequent review of health benefit data required per N.J.S.A.18A:16-13.3 submitted. Also added that auditors are required to review the Chapter 44 summary report for reasonableness and timeliness of submission. Auditors are also required to comment whether the school district/charter school/renaissance school project data certification was completed by the chief school administrator and whether the submission required significant revision due to district errors or omissions.
- Added that due to the continuation of the federal public health emergency through June 30, 2022, participating schools were permitted to provide meals free of charge to all enrolled students, and to claim all meals at the “free” rate of reimbursement.
- Added that although School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option, SFAs could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices.
- Updated link to Schedule of Meal Count Activity.
- Updated link to ASSA Schedule.
- Update link to Charter School and Renaissance School Project Schedule of Audited Enrollments.
- Updated to reflect that Charter Schools and Renaissance School Projects are not subject to the Excess Surplus Calculation and charter school and renaissance school auditors do not have to document the calculation of excess surplus.
- Updated Excess Surplus Calculation to reflect adjustments for State Maintenance of Equity Aid and State Military Impact Aid received July 2022.

Section III-5

Updated to reflect December 5, 2022 ACFR, AUDSUM and AMR submission deadline.

Section III-6

- The Food Service Fund Checklist was updated to reflect that auditor review of eligibility documents for free and reduced-price meals is required for current and future fiscal years.
- The Food Service Fund Checklist was updated to reflect that auditor review Meal count records, Edit Check Worksheets and daily summary sheets of number and type of meals served is required for current and future fiscal years. Updated to reflect that the actual State per Pupil cost for legal fees is \$59.
- Added that boards have to adopt anti- hazing policy and related rules; P.L.2021, c.208 (C.18A:3-27.2 through C.18A:3- 27.4)
- Added that boards have to adopt a policy on student athlete safety; P.L.2021, c.222

Section III-7

Updated links to templates for Audit Recommendations Summary, Corrective Action Plan and Certification of Implementation of Corrective Action Plan.

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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 website \(nj.gov/education/finance/fp/audit/\)](http://nj.gov/education/finance/fp/audit/).

The *Annual Comprehensive Financial Report* (ACFR) 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 Annual Comprehensive Financial Report (ACFR) section at the end of this introduction provides additional information on the ACFR.

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 ACFR 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 ACFR 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 an ACFR 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:
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 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [NJ OMB Super Circular](http://nj.gov/treasury/omb/supercircular.shtml) (nj.gov/treasury/omb/supercircular.shtml) 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 *Government Auditing Standards March 2022 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](http://gao.gov/products/GAO-18-568G) (GAGAS) is available through the website: 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, 2022 audits is (new) December 5, 2022. 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 ACFR

The ACFR 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 ACFR will also contain a single audit section. The ACFR will strictly adhere to the Outline of the ACFR located at the end of this introduction. The report must include all sections, letters and exhibits in the applicable sample ACFR 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 ACFR 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 2022) to auditors through the [DOE Audsum](http://nj.gov/education/finance/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 ACFR due date (December 5, 2022). 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 ACFR, revised pages of the ACFR must be sent.**

Transmission of the reporting package to the OFAC ACFR Repository is mandatory for year end June 30, 2022. The OFAC ACFR Repository may be accessed through [NJDOE Homeroom](http://NJDOE.Homeroom) at homeroom.state.nj.us/. The procedure for submission of the ACFR and the AMR was adopted by the Department of Education to conform to the common practice for ACFR presentation followed by other school districts throughout the country. The two reports have separate, distinct purposes. The ACFR 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 ACFR 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 ACFR 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 ACFR 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 ACFR repository be **unlocked, unencrypted, text-searchable** PDF files with standard audit finding reference numbers in sequential format (e.g. 2022-001 through 2022-999).

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 Annual Comprehensive Financial Report (ACFR)

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 an ACFR.

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](https://www.gao.gov/products/GAO-18-568G) (GAGAS). 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 [ACFR website](http://www.nj.gov/education/finance/fp/acfr) (click on ACFR) (<http://www.nj.gov/education/finance/fp/acfr> 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 ACFRs may be emailed to doe.acfr@doe.nj.gov.

The format of the ACFR 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 ACFR website <http://www.nj.gov/education/finance/fp/acfr/> for guidance on schedules that specifically relate to districts that are required to use school-based budgeting.

The ACFR 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 ACFR.

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 ACFR 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 [ACFR website](http://state.nj.us/education/finance/fp/acfr/) at state.nj.us/education/finance/fp/acfr/ (click on ACFR). The Outline of the ACFR 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 2021-22 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 ACFR (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 ACFR

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 & B-5a 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

- L-4 Schedule of the School District's Contribution Teachers' Pension and Annuity Fund (TPAF) N/A
- L-5 Notes to Required Supplementary Information

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 (**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